



# **International Terrorism and Transnational Crime: Security Threats, U.S. Policy, and Considerations for Congress**

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## Summary

The involvement of insurgent and extremist groups in criminal activity is an issue that has been a concern of U.S. administrations for decades. In recent years, some observers have claimed that interactions between international terrorists and criminals are increasing. If true, expanded links between criminal and terrorist networks could increase U.S. vulnerability to attack by terrorist groups with enhanced criminal capabilities and financial resources. An expanded range of combined criminal and terrorist activity could also affect the global economy and U.S. foreign policy goals, undermining licit international commerce and the promotion of good governance and rule of law. Threats posed by a crime-terrorism nexus may be particularly challenging, as the scale and nature of their cooperation are believed to vary widely and limited anecdotal evidence largely serves as the basis for current understanding of the problem.

U.S. efforts to combat the relationship between crime and terrorism are a subset of broader policy responses to transnational crime and international terrorism individually. While numerous U.S. strategies and programs are designed to combat international terrorism and transnational crime separately, fewer efforts focus specifically on addressing the confluence of the two. Those efforts that do exist focus mainly on (1) human smuggling and clandestine terrorist travel, (2) money laundering and terrorist financing, and (3) narcoterrorism links between drug traffickers and terrorists. Many of these efforts, including the creation of the Human Smuggling and Trafficking Center, the reorganization of the Treasury Department's Office of Terrorism and Financial Intelligence, and the expanded extraterritorial jurisdiction authority to investigate and prosecute international narcoterrorism cases, occurred in response to the attacks of September 11, 2001. Congress played a large role in such efforts, holding at least eight hearings specifically on some aspect of criminal-terrorist interactions between the end of 2000 and 2005. Legislation that has expanded and adjusted agency authorities, resources, and responsibilities related to the crime-terrorism nexus includes the USA PATRIOT Act (P.L. 107-56), the Intelligence Reform Act and Terrorism Prevention Act of 2004 (P.L. 107-458), the USA PATRIOT Improvement and Reauthorization Act of 2005 (P.L. 109-177), and appropriations-related legislation through the 111<sup>th</sup> Congress for various U.S. agencies, including the Departments of State and Defense.

This report provides a primer on the confluence of transnational terrorist and criminal groups and related activities abroad. It evaluates possible motivations and disincentives for cooperation between terrorist and criminal organizations, variations in the scope of crime-terrorism links, and the types of criminal activities—fundraising, material and logistics support, and exploitation of corruption and gaps in the rule of law—used by terrorist organizations to sustain operations. This report also discusses several international case studies to illustrate the range of crime-terrorism convergence and non-convergence, including Dawood Ibrahim's D-Company; the Revolutionary Armed Forces of Colombia (FARC); the 2004 Madrid bombers; the Taliban; Hezbollah; Al Qaeda; the 2005 London bombers; Al-Shabaab; as well as known or alleged crime-terrorism facilitators such as Viktor Bout, Monzer Al Kasser, and Abu Ghadiyah. Policy considerations discussed in this report include possible tensions between counterterrorism and anti-crime policy objectives, implications for U.S. foreign aid, gaps in human intelligence and analysis, the value of financial intelligence in combating the crime-terrorism nexus, impact of digital and physical safe havens and ungoverned spaces, implications for nuclear proliferation, and effects of crime-terrorism links in conflict and post-conflict zones. Unless otherwise noted, this report does not address potential crime-terrorism links in the domestic or border environment.

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## Introduction

Terrorist and transnational criminal groups have long shared similar characteristics and borrowed tactics and techniques commonly ascribed to the other.<sup>1</sup> Historical examples also indicate that such groups may drift, evolve, converge, transform, or otherwise alter their ideological motivations and organizational composition to appear to mimic each other.<sup>2</sup> In general, there appears to be at least three primary ways in which crime and terrorism may overlap: (1) through shared tactics and methods, (2) through the process of transformation from one type of group to the other over time, and (3) through short-term or long-term transaction-based service-for-hire activities between groups.<sup>3</sup>

The growth of insurgent and extremist group involvement in criminal activity is one that has been a concern of U.S. administrations for decades.<sup>4</sup> As international terrorist groups continue to pose a threat to U.S. national security and as many suggest that transnational organized crime groups are expanding their global reach, some analysts view the potential confluence of criminal and terrorist actors, skills, resources, and violent tactics as a cause for concern.<sup>5</sup> The extent and nature of criminal-terrorist relationships, however, can vary significantly. While efforts predate the terrorist attacks of September 11, 2001, U.S. policymakers and observers have taken a renewed interest since then to consider the potential confluence of criminal and terrorist actors and activities.<sup>6</sup>

In recent years, some analysts have identified a series of potentially disturbing trends that has hastened the expansion of relationships between terrorist and transnational crime groups. First, criminal syndicates appear to be growing in size, scope, and ambition. Globalization has extended their transnational reach while major developments in technology, trade, and the financial industry have provided them with opportunities to exploit vulnerabilities in emerging criminal sectors, such as cybercrime, credit card fraud, and trade-based money laundering. Criminal

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<sup>1</sup> For the purposes of this report, counterinsurgencies may be included in discussions of terrorist groups when those counterinsurgencies adopt terrorist-like tactics as tools of warfare. Common methods include clandestine travel, surveillance techniques, evading authorities, laundering money, and using weapons and explosives against government and civilian targets. For further discussion of links between crime and insurgency see for example U.S. Army, Chapter 1: Insurgency and Counterinsurgency, *Counterinsurgency Field Manual*, FM 3-24, December 2006.

<sup>2</sup> See for example John Horgan and Max Taylor, "Playing the 'Green Card' - Financing the Provisional IRA, Part I," *Terrorism and Political Violence*, Vol. 11, No. 2, 1999; Svante E. Cornell, "Narcotics, Radicalism, and Armed Conflict in Central Asia: The Islamic Movement of Uzbekistan," *Terrorism and Political Violence*, Vol. 17, No. 4, 2005; and Mitchel P. Roth and Murat Sever, "The Kurdish Workers Party (PKK) as a Criminal Syndicate: Funding Terrorism Through Organized Crime, A Case Study," *Studies in Conflict and Terrorism*, Vol. 30, 2007.

<sup>3</sup> See for example Sam Mullins, "Parallels Between Crime and Terrorism: a Social Psychological Perspective," *Studies in Conflict and Terrorism*, Vol. 32, No. 9, 2009.

<sup>4</sup> See for example the Clinton Administration's *International Crime Threat Assessment*, December 2000.

<sup>5</sup> This report is based on unclassified interviews and open sources. While the focus of this report is on threats to U.S. security interests manifested from terrorist organization-international organized crime syndicate partnering arrangements, it is important to note that the issue has garnered the attention of the wider international security community. For example, in July 2009, G8 leaders issued the following statement: "we are concerned about the links between terrorism and transnational criminal networks. These converging threats require a constant update of our strategies, targeted means and better coordinated multilateral efforts and law enforcement initiatives." G8 Summit 2009, "Responsible Leadership for a Sustainable Future," July 8, 2009.

<sup>6</sup> See for example U.N. Security Council Resolution 1373 (2001), which states: "The Council noted with concern the close connection between international terrorism and transnational organized crime, illicit drugs, money laundering and illegal movement of nuclear, chemical, biological and other deadly materials."

groups have also adapted their structure and composition to a globalized future. Many now maintain a transnational footprint and a flexible and networked membership roster that can adapt more readily to new market niches and establish more fluid short-term alliances with external individuals and groups. Second, the nature and activities of terrorist organizations appear to have also changed. Terrorist groups today, particularly those that most threaten the United States, are motivated more by a religious rather than a nationalist or ethnic separatist imperative that was predominant in the 1960s and 1970s, resulting in extremist movements that can elicit sympathy well beyond a specific country or geographic region.<sup>7</sup> Further, terrorist groups appear to have become more resilient to financial destruction, due to a combination of continued state sponsorship or support and entrepreneurial expansion into profitable criminal activities.<sup>8</sup>

Combined, these trends may suggest an increase in geographic overlap of operations where criminals and terrorists could interact. These trends may also suggest an increase in the opportunity for transformation from one type of group to the other. Key nodes, where interaction is most likely, include prisons; cyberspace, particularly online opportunities for social networking; and ungoverned or difficult-to-govern spaces, which include regions plagued by endemic corruption, conflict or post-conflict zones where legitimate governance has yet to take root, border regions, free trade zones, and urban mega cities where pockets of poverty, violence, criminality, and impunity from national law prevails. Overlap may also be facilitated by the involvement of hostile governments and kleptocratic or criminal states that may consider sponsorship or support of criminal or terrorist activity of strategic value.

Many observers find that cooperation or overlap in activities between terrorist groups and drug trafficking is one area of particular concern.<sup>9</sup> The U.S. Drug Enforcement Administration (DEA) reports that the number of designated foreign terrorist organizations (FTOs) involved in the global drug trade has jumped from 14 groups in 2003 to 18 in 2008.<sup>10</sup> One of the newest drug-terrorism links may be developing in the transit hub of West Africa, where alleged Latin American traffickers are collaborating with Al Qaeda affiliates to smuggle cocaine to Europe.<sup>11</sup> Other criminal areas of potentially heightened terrorist involvement include money laundering, human smuggling, arms and other manufactured commodities and contraband trafficking, extortion, kidnapping, and petty crimes. Observers suggest that such criminal-terrorist links are the result of mutual opportunities for financial benefit. Such relationships may be temporary to meet the short-term needs of both the terrorist and criminal organizations and may not mature into a sustained partnership. Alternatively, such relationships may be part of a terrorist group's structural

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<sup>7</sup> See for example Bruce Hoffman, *Inside Terrorism*, revised edition, 2006.

<sup>8</sup> For further discussion on the expansion of organized crime as a threat, see National Intelligence Council, Office of the Director of National Intelligence, *Global Trends 2025: A Transformed World*, November 2008. The report states that "concurrent with the shift in power among nation-states, the relative power of various nonstate actors—including businesses, tribes, religious organizations, and even criminal networks—will continue to increase. Several countries could even be 'taken over' and run by criminal networks."

<sup>9</sup> For further information on U.S. drug control policy see CRS Report RL34543, *International Drug Control Policy*, by Liana Sun Wyler.

<sup>10</sup> Statements by Stephen W. Casteel (Drug Enforcement Administration) and Raphael Perl (Congressional Research Service), "Narco-Terrorism: International Drug Trafficking and Terrorism—A Dangerous Mix," prepared for a hearing conducted by the Senate Judiciary Committee, May 20, 2003; Michael Braun, "Drug Trafficking and Middle Eastern Terrorist Groups: A Growing Nexus?" speech at the Washington Institute for Near East Policy, July 18, 2008. Updated data as of December 23, 2009, provided to CRS by DEA.

<sup>11</sup> U.S. Drug Enforcement Administration (DEA), "Three Al Qaeda Associates Arrested on Drug and Terrorism Charges," press release, December 18, 2009. See also CRS Report R40838, *Illegal Drug Trade in Africa: Trends and U.S. Policy*, by Liana Sun Wyler and Nicolas Cook.

evolution into a criminal group or into a terrorist group that is dependent on criminal proceeds for its financial survival.<sup>12</sup>

Observers, however, debate the prevalence and intensity of illicit cooperation between criminal entities and terrorist groups. While cooperation may be relatively common in certain circumstances, such as between terrorist groups and drug traffickers, analysts disagree about whether criminal-terrorist cooperation takes place in other circumstances. Due to the combination of motivations and disincentives for criminal and terrorist entities to partner, many contend that most cooperation is little more than a short-term marriage of convenience that, in most cases, will not expand beyond near-term ephemeral business ties. Advocates of this theory also point to dispersed and autonomous cells of violent Islamists as examples of entities that are believed to conduct sporadic criminal activity to financially support terrorism-related operations. A report issued by the National Intelligence Council in December 2004, based primarily on analysis offered by non-governmental experts from around the world, supports such conclusions:

The relationship between terrorists and organized criminals will remain primarily a matter of business, i.e., that terrorists will turn to criminals who can provide forged documents, smuggled weapons or clandestine travel assistance where the terrorists cannot procure these goods and services on their own. Organized criminal groups, however, are unlikely to form long-term strategic alliances with terrorists. Organized crime is motivated by the desire to make money and tends to regard any activity beyond that required to effect profit as bad for business. For their part, terrorist leaders are concerned that ties to non-ideological partners will increase the chance of successful police penetration or that profits will seduce the faithful.<sup>13</sup>

Debate also continues over whether the potential convergence of terrorism and international crime activities should be perceived as a heightened security threat or a boon for improved detection of both types of entities. Some argue that convergence implies an increase in not only the financial resources available to both entities, but also an improvement in clandestine capabilities of their members and an expansion of the various networks' geographic reach. Such developments could have negative implications for near- and long-term U.S. security interests. In February 2009, for example, at the intelligence community's annual threat assessment hearing before the Senate Select Committee on Intelligence, Director of National Intelligence Dennis C. Blair stated:

[O]rganized criminals and groups will increasingly pose a threat to U.S. national security interests by enhancing the capabilities of terrorists and hostile governments.... The change in the structure and types of activities conducted by transnational criminal groups is making it increasingly difficult to identify and attack them. In particular, the increasing prevalence of loosely knit networks, the use of cyberspace and global financial systems, and political

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<sup>12</sup> Steven Hutchinson and Pat O'Malley, "A Crime-Terror Nexus? Thinking on Some of the Links between Terrorism and Criminality," *Studies in Conflict & Terrorism*, Vol. <http://www.informaworld.com/smpp/title~db=all~content=t713742821~tab=issueslist~branches=30-%20v3030>, No. 12, December 2007, p. 1102. It is likely that modern-day technologies have greatly increased the capabilities of terrorist and criminal organizations, which in turn have added an additional layer of complexity to U.S. and international detection, identification, and locating of these activities. However, while the use of these smaller mobile technologies may improve the overall effectiveness of these organizations through the use of communication, transfer of funds, and support planning efforts, their use may also offer the international security community an opportunity for third party surveillance and exploitation of the partnering activities.

<sup>13</sup> National Intelligence Council, *Mapping the Future: Report of the National Intelligence Council's 2020 Project*, December 2004, p. 96.



corruption has made it easier for them to hide their involvement, to thwart law enforcement efforts, and to create images of legitimacy.<sup>14</sup>

Potential links between terrorism and criminality could increase U.S. vulnerability to attack by terrorist groups with enhanced criminal capabilities and financial resources. The combined use of criminal and terrorist group resources, access, and capabilities could even improve terrorist group opportunities to obtain and use weapons of mass destruction (WMDs). An expanded range of combined criminal and terrorist activity can also affect the global economy and U.S. foreign policy goals, undermining licit international commerce and the promotion of good governance and rule of law. Crime-terrorism nexus issues are at play in several regions of the world where the U.S. military and other U.S. government agencies have a presence, including the active combat zones in Afghanistan and Iraq.<sup>15</sup> The threats posed by a crime-terrorism nexus may be particularly challenging to combat as relationships between the two groups are constantly evolving.

Some nevertheless argue that expanded relationships between terrorists and criminals may not represent an increased threat to U.S. interests. Such collaborations have the potential to make the activities of each participating entity opaque or introduce a heightened level of risk to operations. Some have further argued that as illicit networks expand, they are challenged by several operational limitations, including problems of trust, distance, coordination, and security.<sup>16</sup> These partnerships may bring surveillance and scrutiny from government agencies that otherwise might not be focused on the entity. As a result, it is possible that both criminal organizations and terrorist groups are made simultaneously more vulnerable to detection and infiltration. Others point to the limited availability of documentation that describes the scale of terrorist group dependence on criminal proceeds for financial viability; such analysts suggest it is possible that criminal proceeds may represent only a small portion of most terrorist financing.

Many federal departments and agencies have plans and programs that focus on specific aspects of anti-crime or counter-terrorism. It does not appear, however, that the U.S. government maintains an overarching national strategy or policy to address comprehensively the confluence of terrorism and transnational crime. While a comprehensive government approach to combat the nexus of crime and terrorism may not be necessary or recommended, it is not clear that any dedicated working group has been established to prioritize both dimensions of the nexus in equal parts and to encourage coordination and collaboration across the interagency.

Analysts observe that there remains an intelligence and research gap in the prevalence, threat, and future trends associated with criminal-terrorist links. As a result, it is difficult to ascertain whether these relationships and accompanying risks to U.S. security interests are increasing, decreasing, or maintaining the same historical level of activity. This lack of an assessment is important, as the national security community may be approaching the confluence of terrorism and transnational crime based on an assumption that all relationships are similarly constructed and pursued for similar motivations. Prevailing knowledge of the complexity of crime-terrorism relationships

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<sup>14</sup> Dennis Blair, Director of National Intelligence, statement for the record, "Annual Threat Assessment of the Intelligence Community," Senate Select Committee on Intelligence, February 2009, pp. 40-41.

<sup>15</sup> It is not necessarily the case that foreign locations where the U.S. military has a presence are also the source of the greatest threat from crime-terrorism interactions. Regions of the world where the United States has critical economic, security, and geopolitical interests, compounded by the potential risk of criminal-terrorist links, may include Russia and other former Soviet Union nations, the Balkans, West Africa, and South America.

<sup>16</sup> Matte Eilstrup-Sangiovanni and Calvert Jones, "Assessing the Dangers of Illicit Networks: Why Al Qaida May Be Less Threatening Than Many Think," *International Security*, Vol. 33, No. 2, Fall 2008.

indicates that a comprehensive strategy would not imply a one-size-fits-all approach; rather, it would recognize that different partnering models require varied approaches that have policy implications spanning the fields of national security, intelligence, law enforcement, and international diplomacy.

## **Crime-Terrorism Partnerships and Transformations**

The following sections explore the underlying rationale for criminal and terrorist group partnerships as well as the conditions that may facilitate the evolution or transformation of a criminal or terrorist group into the other. Organizations struggling to survive, wishing to expand their reach, seeking to develop more sophisticated skills and tactics, or simply requiring external assistance for a specific, one-time service may reach out to other entities for their support and expertise, even if such entities have different philosophical objectives. Collaboration can serve as a force multiplier for both criminal and terrorist groups, bolstering their capabilities, strengthening their infrastructure, and increasing their wealth. However, such collaborations are also fraught with great risk to both types of entities. Partnering arrangements can, at times, lead to successful alliances, but they can also have the potential of sowing the seeds for distrust, competition, and opportunity for vulnerabilities to be exploited. The formation of such partnerships may bring heightened surveillance and scrutiny from government agencies that otherwise might not devote resources and attention to the individual organizations and related activities. Common motivations for criminal and terrorist organizations to partner include financial viability, geographic growth, personnel protection, logistical support, support of mutually exclusive criminal activities, and the introduction of third parties to facilitate organizational goals, among others. At times, criminal activity conducted by terrorists may be an extension of a group's ideological tenets.

### **Motivations and Disincentives**

From the perspective of a terrorist organization, the primary motivation for partnering or adopting criminal tactics is to sustain and grow the organization for purposes of pursuing or financing its ideological-based activities. Out of this sense of perceived need, the organization may turn to or rely more heavily on partnering with criminal syndicates for continued viability.<sup>17</sup> If this occurs, some analysts argue that efforts undertaken to broaden the scope and reach of terrorist organizations may produce vulnerabilities that can be exploited by authorities. In turn, these vulnerabilities could lead to improved detection and disruption of both the terrorist organization and the criminal syndicate. Over time, terrorist groups may also become increasingly motivated by the lucrative nature of their illicit financing activities and transform from a group that is mainly ideological to one that is profit-driven. Some argue that terrorist groups sharing characteristics with insurgent groups may be particularly motivated to participate in criminality, especially as a source of funding.<sup>18</sup> Analysts indicate that insurgencies tend to require more

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<sup>17</sup> Richard Barrett, "The Economic Crisis: Al-Qaeda's Response," Washington Institute for Near East Policy, Policywatch #1485, March 9, 2009.

<sup>18</sup> See for example Karen Ballentine and Jake Sherman, eds., *The Political Economy of Armed Conflict: Beyond Greed and Grievance*, 2003; Paul Collier and Anke Hoeffler, "Greed and Grievance in Civil War," *Oxford Economic Papers*, Vol. 56, No. 4, 2004.

human capital and resources to remain viable and view illicit sources of funding as enabling such groups to prolong their longevity.

Common disincentives for partnering may include increased attention from government authorities; fear of compromising internal security; ideological resistance to illicit endeavors, such as drug trafficking, kidnapping, and fraud; and sufficient sources of non-criminal funding from charities, large private donors, licit businesses, and state sponsors. Notably, a group that initially avoids involvement with criminal activities or syndicates may change its position at a later point if original funding sources are eliminated or if new opportunities present themselves. Several observers indicate that such disincentives are among the primary reasons why the core leadership of certain international terrorist groups such as Hezbollah and Al Qaeda, which have other lucrative funding sources, is not known to be significantly partnered with transnational criminal groups.

From the perspective of the criminal syndicate, motivations for cooperating with terrorist organizations include the near singular purpose of increasing the financial well being of the criminal group. Many analysts assume that criminal syndicates' desire for access to illicit funds will outweigh potential risks associated with the perceived support for the ideological aims of a terrorist group.<sup>19</sup> In some well-known instances, certain criminal groups—particularly those that are relatively younger, smaller, and more loosely organized than traditionally hierarchical syndicates—have become ideologically radicalized and actively pursue operations that will not only result in lucrative illicit profits but also further the goals of a terrorist group. In other situations, lower echelons in a terrorist organization may not follow the directives of its leaders to stay away from a criminal organization (or vice versa) and may unilaterally decide to partner out of entrepreneurship or necessity. Some analysts suggest that this phenomenon may occur with greater regularity given the global financial crisis, the possibility that state sponsors of terrorism or other traditional donors may not be providing the same level of resources as in the past, and the increasingly decentralized nature of terrorist groups.

As with terrorist organizations, common disincentives from the perspective of criminal groups include increased and unwanted attention from authorities, risk of infiltration, and heightened vulnerability of organization leadership to capture. Criminal groups already in control of lucrative revenue streams may not find the potential additional business with terrorist groups sufficient to outweigh the costs. Criminal groups may also opt to avoid collaboration with terrorist groups if such interactions would disrupt their relationships with corrupt government officials who are willing to facilitate criminal activities, but not terrorism-related ones.

Individual groups may also transition along an apparent crime-terrorism continuum over time, transitioning to or from a mostly ideologically motivated organization and a mostly profit-oriented one. Conditions that determine the likelihood of confluence include the lack of in-house capabilities and the demand for special skills to conduct particular operations; variations in risk management and barriers to entry, such as cultural, religious, or ideological differences; motivations, such as greed or necessity for organizational viability; the nature of the operational environment, including presence of competitors, and the opportunity for contact with and the strength of relations between terrorist and criminal elements.

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<sup>19</sup> See for example remarks by U.S. Department of the Treasury's Assistant Secretary for Terrorist Financing David S. Cohen, to the American Bankers Association Money Laundering Enforcement Conference, October 12, 2009.

## Crime As an Extension of Terrorist Ideology?

For some terrorist groups, criminal activity appears to be an extension of terrorist ideology. For others, there is a prevailing rationale to steer clear of activities that would tarnish their legitimacy among their target audiences or the perceived purity of their ideals and goals. Mexico's Zapatista National Liberation Army (EZLN), for example, has chosen to abstain from the lucrative illegal drug trade that flows through its areas of operation in Southern Mexico.<sup>20</sup> Other groups view their ideology as compatible with certain types of criminal activity, such as drug trafficking. The Revolutionary Armed Forces of Colombia (FARC) is a commonly cited example of the latter.<sup>21</sup> Several analysts, however, remain skeptical that many terrorist group members would buy into an ideological rationale for engaging in criminal activities. Some have argued that terrorist groups may view criminal activities like drug trafficking less as an effective tool to bring attention to their causes, but rather as an excuse to engage in the criminal activity for profit. It is also possible that such justifications are merely rhetoric to avoid the defection of hard-line terrorist group members or to prevent alienating some of the newer, criminally skilled members.

Recent popular literature has highlighted Islamist justifications for engaging in criminal activity, ranging from drug trafficking to cyber-fraud to bank robbery. One of the earliest examples of such justifications is a Hezbollah fatwa from the 1980s that states: "If we cannot kill them with guns, so we will kill them with drugs."<sup>22</sup> A more recent example includes Khan Mohammed, an Afghan Taliban member sentenced to two life terms in prison in the United States, who justified his willingness to sell heroin because he viewed it as a form of jihad: "Whether it is by opium or by shooting, this is our common goal."<sup>23</sup>

For some Islamists, committing robbery against those who do not share their religious beliefs is viewed as acceptable. To this end, the spiritual leader of the Southeast Asian Islamic extremist group Jemaah Islamiyah (JI), Abu Bakar Bashir, reportedly said, "You can take their blood; then why not take their property?"<sup>24</sup> A similar justification was also reportedly made by a leader of Fatah al-Islam, an Al Qaeda-linked group, who stated: "Stealing money from the infidels, from the usurious banks and the institutions which belong to the infidel regimes and states, is a legal thing which Allah has permitted us to do. This money is being seized from them and instead directed towards jihad."<sup>25</sup> Prior to his execution for his alleged role in the Bali nightclub bombings in 2002, another JI member, Imran Samudra, reportedly encouraged aspiring jihadists to engage in hacking and online credit card fraud and money laundering in an autobiography he wrote in prison.<sup>26</sup>

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<sup>20</sup> Chris Dishman, "Terrorism, Crime, and Transformation," *Studies in Conflict and Terrorism*, Vol. 24, 2001, p. 44. Notably, the ELZN is not a U.S.-designated FTO.

<sup>21</sup> See for example *Encyclopedia of Terrorism*, Harvey W. Kushner, ed., Sage Press, 2002, p. 252.

<sup>22</sup> Cited in Rex A. Hudson et al., "A Global Overview of Narcotics-Funded Terrorist and Other Extremist Groups," Federal Research Division, Library of Congress, May 2002, p. 10.

<sup>23</sup> U.S. Department of Justice (DOJ), "Member of Afghan Taliban Sentenced to Life in Prison in Nation's First Conviction on Narco-Terror Charges," press release, December 22, 2008.

<sup>24</sup> David E. Kaplan, "Paying for Terror," *U.S. News & World Report*, December 5, 2005.

<sup>25</sup> Matthew Levitt and Michael Jacobson, "Drug Wars," *The New Republic*, January 27, 2009.

<sup>26</sup> Dennis Lormel, "Credit Cards and Terrorists," Counterterrorism Blog, January 16, 2008, [http://counterterrorismblog.org/2008/01/credit\\_cards\\_and\\_terrorists.php](http://counterterrorismblog.org/2008/01/credit_cards_and_terrorists.php).

## The Crime-Terrorism Toolbox

The following sections expand on the variety of criminal activities associated with terrorist groups. Such activities fall into three main categories: fundraising through crimes; materials and logistics support; and exploitation of corruption and gaps in the rule of law. The magnitude of criminality can range from small-scale crimes—such as occasional jewelry robberies or document fraud to obtain a fake driver’s license—to systematic major transnational crimes, such as international drug and arms trafficking. If members of a terrorist group are involved in criminal activity, they tend to be involved in several forms of crime—often in a combination of small- and large-scale crimes and usually for multiple operational purposes. Sri Lanka’s Tamil Tigers, for example, were known to be involved in multiple forms of criminal activity, including extortion, drug trafficking, credit card fraud, social security fraud, insurance fraud, cyber crimes, currency counterfeiting, intellectual property rights piracy, robbery, human smuggling and trafficking, kidnapping for ransom, and weapons trafficking.<sup>27</sup>

Certain regions of the world are also particularly known for criminal activity and links to terrorist groups. In the South American tri-border region of Argentina, Brazil, and Paraguay, for example, members of Hamas, Hezbollah, and other Islamic extremist groups are reportedly co-located with a variety of transnational organized crime groups, including the Chinese Triads and Korean and Taiwanese syndicates. There, they are believed to engage variously in drug trafficking, arms trafficking, counterfeiting, money laundering, travel document fraud, and pirated goods.<sup>28</sup> West Africa is emerging as another potential region of crime-terrorism convergence. As Latin American cocaine smugglers seek to exploit emerging markets in Europe, they are allegedly collaborating with Al Qaeda affiliates in the region to protect drug shipments through the Sahara.<sup>29</sup>

## Fundraising through Crimes

Terrorist groups may seek funding through crime out of financial necessity or because the potential profits associated with the criminal activity are considered too attractive to ignore.<sup>30</sup> Some argue that a drop in state sponsorship of terrorist organizations since the end of the Cold War, coupled with the international security efforts put in place since the terrorist attacks of September 11, 2001, have “pressured many terrorist groups to find financial and material support elsewhere.”<sup>31</sup> As government pressure has continued to limit the number of traditional terrorism-related sources of funding, some terrorist organizations have turned to non-traditional activities

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<sup>27</sup> Hutchinson and O’Malley, p. 1102.

<sup>28</sup> See for example Hudson et al., “Terrorist and Organized Crime Groups in the Tri-Border Area (TBA) of South America,” Federal Research Division, Library of Congress, July 2003. This report states that the three main ethnic communities in Ciudad del Este include the Lebanese, Chinese, and Koreans.

<sup>29</sup> “Arrest Link Al Qaeda, Drugs,” *Associated Press*, December 19, 2009.

<sup>30</sup> This is particularly the case for petty crimes and others deemed a low priority for law enforcement and associated with low penalties. See Louise I. Shelley, “Addressing the Links of Crime and Terrorism,” Symposium on Global Terrorism and International Cooperation,” Turkey, March 2008, p. 163.

<sup>31</sup> See Hutchinson and O’Malley. While some analysts may argue that the lack of state sponsorship could lead to the reduction in total number and size of existing terrorist groups, an environment might be created where terrorist organizations, once controlled by the state, now have the freedom to enlarge their operations to a global scale and explore new partnering opportunities.

and alliances for illicit finance. These include sources of funding not related to organized crime, such as private wealthy donors and the use of charity organizations, as well as sources of funding traditionally associated with organized crime.

Many observers agree that terrorist use of profits from criminal activity as a main source of terrorist financing is a relatively new trend—and a phenomenon that terrorist groups may not always view as desirable. Further, the extent of terrorist use of criminal proceeds remains unknown, due to the inherently clandestine nature of both terrorist and other criminal activities, and because such information does not appear to be systematically collected or analyzed by government authorities.<sup>32</sup> Many observers argue that the gravitation toward criminal sources of funding is a natural move for terrorist groups, which are already skilled at operating clandestinely. Given existing skills at evading government detection, terrorist groups may engage in certain criminal activities because the crimes are perceived as profitable and low-risk. Even today, however, criminal activity may not always be the main source of funding for terrorist groups; deep-pocketed private donors, personal wealth, charities, and hostile or kleptocratic regimes continue to provide terrorist groups with funding not derived from the profits of crime.

Terrorist financial support through crime can also occur when a group “taxes” a criminal operation, or charges a security or protection fee for criminal elements to operate in a certain region or use of a smuggling route. Hezbollah has been reported to have received such taxes from the profits of diamond smuggling operations in West Africa and the profits of music piracy operations in the tri-border region of South America.<sup>33</sup> Turkey’s Kurdistan Worker’s Party (PKK) and others have reportedly imposed similar fees on drug traffickers. At times, it is unclear whether a terrorist group is forcefully taxing a criminal operation or whether the members of that criminal operation voluntarily donate a portion of their proceeds because they have sympathies for the terrorist cause. Such is the case of the Mansur Clan, an alleged Aruba-based crime family, which is reported to funnel the proceeds from its cigarette smuggling and drug-money laundering empire in the 1990s to Hezbollah, though it remains unclear what motivated those donations.<sup>34</sup>

In several instances, the connection between a criminal source of funding and a terrorist group or individual might be a consequence of happenstance and coincidental opportunity. Funding for the 2004 Madrid terrorist bombings was facilitated by conspirators who were involved in the profitable Moroccan hashish trade. Similarly, the co-location of Colombian cocaine production in territory controlled by the FARC allowed the group to first tax the trafficking routes and later take control over large portions of the cocaine business; the FARC’s drug revenue eventually became a fundamental source of financing for its operation and infrastructure. Low-risk criminal activities can also be a source of consistent funds for terrorist groups. Both the Tamil Tigers and at least some lower-level elements of Al Qaeda reportedly manufacture fake credit cards and engage in credit card fraud.<sup>35</sup> Other terrorist entities are known to extort their own diaspora communities for

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<sup>32</sup> U.S. Government Accountability Office (GAO), “U.S. Agencies Should Systematically Assess Terrorists’ Use of Alternative Financing Mechanisms,” GAO-04-163, November 2003.

<sup>33</sup> See for example Angel Rabasa et al., “Chapter Seven: The Convergence of Terrorism, Insurgency, and Crime,” in *Beyond al-Qaeda, Part 2: The Outer Rings of the Terrorist Universe*, RAND Corporation, 2006, p. 103.

<sup>34</sup> Hudson et al., May 2002, pp. 49-50; Fabio Castillo, “Alleged Hizballah Ties in Colombia Investigated,” *El Espectador* (Colombia), December 9, 2001; Serge F. Kovaleski and Douglas Farah, “Organized Crime Exercises Clout in Island Nations,” *Washington Post*, February 17, 1998; Mark Schapiro, “Big Tobacco: Uncovering the Industry’s Multibillion-Dollar Global Smuggling Network,” *The Nation*, May 6, 2002.

<sup>35</sup> Hutchinson and O’Malley, p. 1097.

funds, on the assumption that their victims and relatives would be unlikely to report a crime out of fear of retribution.<sup>36</sup>

## Material and Logistics Support

Criminal material and logistics activities are at the heart of many operational terrorist groups, as they often require the illicit capability to procure weapons on the black market, to hide assets through money laundering techniques, smuggle personnel across borders, maintain communications systems that evade detection, and establish a security infrastructure to protect operations. Terrorist groups may rely on criminal groups for weapons, at times exchanging terrorist-produced contraband, like drugs, for arms.<sup>37</sup> The FARC, for example, reportedly maintains contacts with Russian, Ukrainian, Croatian, and Jordanian crime families, and armed groups in more than a dozen foreign countries, for the purposes of supplying the FARC with weapons and communications equipment.<sup>38</sup> Some observers also raise the concern that terrorist groups may work in concert with criminal groups to procure weapons-grade nuclear material, using time-worn criminal smuggling routes from Russia through the Caucasus and Central Asia.<sup>39</sup>

## Travel and Smuggling Support and Protection

Terrorist groups may also be involved in human smuggling and other travel-related criminal activities—not only as a source of terrorist financing, but also for logistics purposes.<sup>40</sup> As the *9/11 Commission Report* explains, terrorist use evasive methods to travel without detection, including the use of altered and counterfeit passports and visas, human smuggling networks, corrupt government officials, and immigration and identity fraud.<sup>41</sup> “For terrorists,” the *9/11 Commission Report* further states, “travel documents are as important as weapons. Terrorists must travel clandestinely to meet, train, plan, case targets, and gain access to attack.”<sup>42</sup> In other cases, criminal organizations may pay terrorist groups for security support, armed protection, and safe passage of contraband through terrorist-controlled territory. South American and Lebanese drug

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<sup>36</sup> “Terrorist Financing,” *Financial Action Task Force*, February 29, 2008.

<sup>37</sup> While not a subject of this report, it is possible for terrorist groups to support or provide criminal-type services to other terrorist groups, just as terrorist groups interact with criminal groups. Examples include exchanges in bomb technology between the FARC and Ireland’s Irish Republic Army (IRA) of the late 1990s and early 2000s.

<sup>38</sup> Hudson et al., May 2002, pp. 116.

<sup>39</sup> Shelley, “Trafficking in Nuclear Materials: Criminals and Terrorists,” *Global Crime*, Vol. 7, No. 3-4, August-November 2006, p. 544; Sonia Ben Ouagrham-Gormley, “An Unrealized Nexus? WMD-related Trafficking, Terrorism, and Organized Crime in the Former Soviet Union,” Arms Control Association, *Arms Control Today*, 2007.

<sup>40</sup> The Tamil Tigers are one such example. The group has reportedly charged between \$18,000 and \$32,000 per smuggling event. See for example Rabasa et al., 103.

<sup>41</sup> A speech by Kuwait activist, Abdullah al-Nafisi suggested that individual wishing to perpetrate a terrorist attack on the U.S. could use tunnels from Mexico into the United States for purposes of smuggling illegal narcotics to transport “four pounds of anthrax carried by a fighter through tunnels from Mexico into the U.S. that are guaranteed to kill 330,000 Americans within a single hour if it is properly spread in population centers there.” While the ease with which such an incident could be carried out is in dispute, reportedly this claim attracted the attention of the U.S. security community, resulting in additional attention and resources being devoted to southern border of the United States. See Sara Carter, “Al Qaeda Eyes Bio Attack from Mexico: Seeks White Militias as Allies,” *Washington Times*, June 3, 2009.

<sup>42</sup> 9/11 Commission, *Final Report of the National Commission on Terrorist Attacks Upon the United States*, 2004, p. 384. See also Daveed Gartenstein-Ross and Kyle Dabruzzi, “The Convergence of Crime and Terror: Law Enforcement Opportunities and Perils,” *Center for Policing Terrorism*, March 26, 2007, p. 8.

traffickers, for example, have reportedly recruited security details from regional terrorist groups like Peru's Shining Path and the Palestinian Popular Front for the Liberation of Palestine – General Command; others, such as the Tamil Tigers and the Colombian M19, have reportedly assisted criminal traffickers with securing international contraband shipment routes and been used for security protection against government efforts.<sup>43</sup> Members of AQIM, the North African affiliate of Al Qaeda, reportedly conspired to protect cocaine shipments through the Sahara for the FARC.<sup>44</sup> It is possible that terrorists or transnational criminals may procure each others' smuggling services and remain unaware of the other's affiliation.

## Money Laundering

Terrorist groups may harness the same techniques used by criminal organizations to hide, transfer, and launder their assets.<sup>45</sup> Common methods for both criminal and terrorist groups include the use of alternative remittance systems, such as hawala and hundi; bulk cash smuggling; trade-based money laundering; and the high-value goods, including precious metals and stones, as a form of stored value. Hawala is a popular value transfer method that predates the Western financial system and remains less expensive, and at times more widely available, than modern banking for transmitting legitimate funds around the world. Money transfers are based on communications between a trusted network of hawala dealers, or hawaladars, at both source and destination points. Because it has been a familiar and reliable method to manage and send money, particularly across long distances, many continue to employ hawala. In some parts of the world where formal banks remain uncommon and difficult to reach, hawala remains the money transfer format of choice.<sup>46</sup> While the use of hawala is almost always for legitimate purposes, the practice is reportedly harnessed by criminal and terrorist elements, who value the hawala method for its accounting methods, which are often difficult for law enforcement authorities to decipher.<sup>47</sup>

Another method used to bypass the formal financial system is through the exploitation of cash couriers and the smuggling of bulk cash, which involves the physical transport of large sums of cash from one jurisdiction to another. The *2007 U.S. National Money Laundering Strategy* identifies bulk cash smuggling as the “largest and most significant drug-money laundering threat facing law enforcement.”<sup>48</sup> The U.S. Government Accountability Office (GAO) also refers to bulk cash smuggling as a particularly attractive method for terrorist groups of moving large

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<sup>43</sup> Hutchinson and O'Malley, p. 1104. It is worth noting that of paramount concern to a criminal syndicate is the risks associated with potential partnering arrangements that may jeopardize current and future organizational viability. The apparent fear produced by these potential partnering arrangements stems from concern that heightened scrutiny from the international security community could degrade organizational capabilities and possibly directly threaten the leaders of these entities.

<sup>44</sup> “Arrest Link al-Qaida, Drugs,” *Associated Press*, December 19, 2009.

<sup>45</sup> Logistical methods to hide and move terrorist funding are distinct from terrorist financing for the purposes of this analysis, with the latter focused on fundraising activities.

<sup>46</sup> This is the case in Afghanistan, for example. See Samuel Munzele Maimbo, *The Money Exchange Dealers of Kabul: A Study of the Hawala System in Afghanistan*, World Bank, June 2003.

<sup>47</sup> Hawaladars reportedly track their accounts based on short-hand notes and non-uniform coded phrases that are difficult for outsiders to unravel. Henk van de Bunt, “The Role of Hawala Bankers in the Transfer of Proceeds from Organised Crime,” in *Organized Crime: Culture, Markets, and Policies*, Dina Siegel and Hans Nelen, eds., 2008; Patrick M. Jost and Harjit Singh Sandhu, “The Hawala Alternative Remittance System and its Role in Money Laundering,” INTERPOL General Secretariat, January 2000.

<sup>48</sup> U.S. Government, *2007 National Money Laundering Strategy*, p. 5.



amounts of currency.<sup>49</sup> While there are potential costs, risks, and physical limits associated with bulk cash smuggling—including the cost of couriers, the risk of couriers stealing the money they are entrusted or becoming informants, and the physical limit of carrying cash on hand—criminals and terrorists are attracted to this method because it is a way to bypass reporting requirements in the formal banking system. In countries where cash remains the primary method of payment and where carrying large amounts of cash is considered common, border and customs officials may have difficulty discerning between bulk cash smugglers and normal activity.

Trade-based money laundering encompasses a variety of schemes involving the import and export of goods to balance accounts. While authorities have historically not placed much emphasis on the vulnerability of international trade to money laundering, experts have recently begun to raise concern of its use by drug traffickers, terrorist groups, and sanctions busters, including WMD proliferators.<sup>50</sup> A classic example of trade-based money laundering is the Black Market Peso Exchange (BMPE), which began in the 1980s as a mechanism for Colombian drug traffickers to swap dirty U.S. dollars for clean Colombian pesos. In such cases, a third-party company would purchase trade commodities, like cigarettes, with dirty U.S. narco-dollars that Colombian drug traffickers would provide, while the profits of the cigarettes, which were clean Colombian pesos, would go to the drug traffickers. According to a 2004 U.S. Drug Enforcement Administration (DEA) estimate, as much as \$5 billion worth of drug proceeds are laundered through the BMPE per year.<sup>51</sup> Other forms of trade-based money laundering include trade invoice fraud, involving the under- or over-valuation, and general misrepresentation of trade goods, particularly in foreign trade zones. Trade fraud of high value metals and stones, including gold and diamonds, is also considered an attractive form of trade-based money laundering. Such precious commodities are more easily transported than bulk cash, and their actual value and quantity are relatively easy to mislabel for trade purposes.

## **Exploitation of Corruption and Gaps in the Rule of Law**

Extensive academic literature describes how official and private-sector corruption facilitates organized criminal enterprises. Through bribery, other financial inducements, and the credible threat of violence, criminal elements can take advantage of corrupt actors to facilitate their criminal operations and reduce the likelihood of detection or capture. Corrupt actors may range from border guards, financial regulators, justice sector officials, high-level policymakers and political figures, to private bankers, small business owners, and industry magnates. Government protection may take several forms—selectively ignoring evidence of illicit activity perpetrated by certain groups; actively providing intelligence and other support to illicit actors; or the wholesale ceding of authority and legitimacy to an illicit group.<sup>52</sup> Some observers argue that terrorist groups may also reap the benefits of similar corrupt linkages, whether coordinated through or on behalf of criminal groups or independently from such criminal groups.<sup>53</sup>

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<sup>49</sup> GAO, “Terrorist Financing: U.S. Agencies Should Systematically Assess Terrorists’ Use of Alternative Financing Mechanisms,” November 2003, p. 19. See also John Diamond, “Terror Funding Shifts to Cash,” *USA Today*, June 18, 2006.

<sup>50</sup> The Wolfsberg Group, “The Wolfsberg Trade Finance Principles,” January 2009.

<sup>51</sup> Cited in U.S. Government, *2005 U.S. National Money Laundering Threat Assessment*.

<sup>52</sup> See also David M. Luna, U.S. Department of State, International Narcotics and Law Enforcement Affairs Bureau, “Dynamic Threat Mitigation: Combating Transnational Threats and Dismantling Illicit Networks – the Role of Corruption Nodes,” February 26, 2009, <http://www.state.gov/p/inl/rls/rm/119840.htm>.

<sup>53</sup> See for example Luna, “Threat Convergence: Subversion, Destabilization and Insecurity,” May 4, 2009, (continued...)

The potential for corruption is particularly heightened in vulnerable environments, such as weak states, post-conflict situations, and where gaps in the rule of law and political legitimacy are extensive.<sup>54</sup> Expanded exploitation of corruption by terrorist and criminal groups can undermine U.S. and international security and economic interests. One study of organized crime and insurgency in Iraq highlights extensive business and government corruption in Iraq since 2003, contributing to a sense of impunity among criminal and terrorist elements such as Al Qaeda in Iraq, exacerbating violence, and rendering major Iraqi government agencies ineffectual.<sup>55</sup> Efforts to investigate and bring corrupt actors to justice have reportedly resulted in violence. By October 2007, for example, the Chair of Iraq's Commission on Public Integrity noted that more than 40 employees and family members had been assassinated.<sup>56</sup> In post-2003 Iraq, as one study explains, "corruption is both top down and bottom up, coming from within the government and from outside. It is both a political and economic condition on the one side and an instrument of criminal organizations, militias, insurgents, and terrorists and their sympathizers and associates on the other."<sup>57</sup>

## Interaction of Terrorism and Crime: Case Studies

There is no single model for interaction between terrorist groups and transnational criminal enterprises. Relationships between these two can take many forms, based on the various actors' differing motivations, objectives, and challenges. Myriad organizational variables factor in decisions to partner, including the desire for sustainability and the growth of the organization, balanced with long-term strategic considerations. At times, a terrorist organization's leaders may condone and direct their lower-level members to seek out and expand criminal relationships and activities. In other instances, a hierarchical leadership may direct its cells or franchises to become self-sustaining; while not specifically directing that subordinate groups seek out criminal funding sources, it may not object to the formation of partnering arrangements as long as organizational goals are met and the greater enterprise is not placed at undue risk. In cases where subordinate actors are not under the direct control or are not philosophically aligned with core leadership ideology, criminal-terrorist alignments may develop that are not necessarily condoned by the entire terrorist group. Similar decision-making may occur in criminal organizations.

Analysts widely agree that links between terrorist groups and transnational crime groups, including the use of common tactics, are difficult to identify or confirm. The scale and nature of their cooperation also varies widely. Limited anecdotal evidence largely serves as the basis for the current understanding of criminal-terrorist connections.<sup>58</sup> While several widely known cases of

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<http://www.state.gov/p/inl/rls/rm/122662.htm>; and Luna, February 2009.

<sup>54</sup> See for example Shelley, "The Unholy Trinity: Transnational Crime, Corruption, and Terrorism," *Brown Journal of World Affairs*, Winter/Spring 2005, Vol. 11, No. 2.

<sup>55</sup> Phil Williams, *Criminals, Militias, and Insurgents: Organized Crime in Iraq*, Strategic Studies Institute, June 2009.

<sup>56</sup> *Ibid.*, pp. 206-207.

<sup>57</sup> *Ibid.*, p. 207.

<sup>58</sup> Academic research on the subject largely constitutes the bulk of open source information. See for example Dishman, 2001; Tamara Makarenko, "A Model for Terrorist-Criminal Relations," *Jane's Intelligence Review*, August 2003; Shelley, "The Nexus of Organized International Criminals and Terrorism," *International Annals of Criminology*, Vol. 20, 2002; Shelley and John Picarelli, "Methods Not Motives: Implications of the Convergence of International Organized Crime and Terrorism," *Police Practice and Research*, Vol. 3, No. 4, 2002; Shelley, "The Unholy Trinity: Transnational Crime, Corruption, and Terrorism," *Brown Journal of World Affairs*, Vol. 11, No. 2, Winter/Spring (continued...)

crime-terrorism cooperation exist, it is unclear whether such examples are indicative of a larger problem, a growing trend, or isolated observation. The absence of proof of criminal-terrorist links, however, may not mean that such ongoing relationships do not exist.

What is clear from existing literature on the subject is that the crime-terrorism nexus can vary significantly. In some instances, terrorists and criminals “borrow” tactics and techniques from each other, but carry out such operations with “in-house” resources. In other cases, a terrorist or criminal individual or entity provides services to the other, such as provisions of materials, logistics, and security. At times, such partnering may include an entity unknowingly entering into a relationship with members of another type of group; entrepreneurial individuals in the lower echelons of an organization pursuing their own associations; or organizational leaders directing individuals to partner with other parties conducting illicit acts. In other instances, a terrorist or criminal group may transform into or be co-opted by the other, at times forming “hybrid” enterprises.

Described below are ten variations on the crime-terrorism nexus, with at least one detailed example provided for each. This list is not exhaustive, nor is it meant to suggest that these are the eight most common forms of the nexus. Instead, this section highlights the potential range of recent or current terrorist-criminal interactions and the national security implications of each variant.

## **Full Convergence/Fusion of Crime and Terrorist Organizations: Dawood Ibrahim’s D-Company**

Over time, a purely criminal group may transform, adopting political goals and new operational objectives. These organizations can form alliances with existing terrorist organizations or foreign governments to help achieve their strategic aspirations. Or they can initiate, direct, and perpetrate terrorist attacks without external assistance, resulting in the group becoming labeled a terrorist organization. Criminal syndicates often already possess the operational expertise needed to engage in terrorist acts. They may already employ terrorist specialists to conduct surveillance, transfer money, purchase weapons, build bombs, and eliminate rivals.<sup>59</sup> A criminal organization can easily transfer this apparatus toward politically motivated ends. The result is either a truly evolved criminal-turned-terrorist group or a “fused” criminal-terrorist organization that seeks to develop ties with like-minded ideological movements. The use of criminal skills for terrorist ends raises the concern among some experts that terrorists may seek out criminals for recruitment or radicalization, believing them to be a higher skilled partner than non-criminals. A criminal’s participation in terrorist activity, however, brings greater scrutiny from law enforcement agencies and politicians. Furthermore, a concentration on terrorist attacks could divert resources away from criminal endeavors, producing disillusionment and desertion among members who joined strictly for monetary reasons.

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2003; Chester G. Oehme III, “Terrorists, Insurgents, and Criminals—Growing Nexus?” *Studies in Conflict and Terrorism*, Vol. 31, No. 1, 2008; Robert E. Looney, “The Business of Insurgency,” *The National Interest*, Vol. 81, Fall 2005; Thomas M. Sanderson, “Transnational Terror and Organized Crime: Blurring the Lines,” *SAIS Review*, Vol. 24, No. 1, 2004; ; and Mark S. Hamm, *Crimes Committed by Terrorist Groups: Theory, Research, and Prevention*, National Institute of Justice, June 2005.

<sup>59</sup> Shelley and Picarelli, p. 307.

Dawood Ibrahim's D-Company, a 5,000-member criminal syndicate operating mostly in Pakistan, India, and the United Arab Emirates, provides an example of the criminal-terrorism "fusion" model. The U.S. Department of Treasury designated Ibrahim as a Specially Designated Global Terrorist (SDGT) under Executive Order 13224 in October 2003.<sup>60</sup> In June 2006, President George W. Bush designated him, as well as his D-Company organization, as a Significant Foreign Narcotics Trafficker under the Foreign Narcotics Kingpin Designation Act (hereafter "Kingpin Act").<sup>61</sup> D-Company is reportedly involved in several criminal activities, including extortion, smuggling, narcotics trafficking, and contract killing.<sup>62</sup> The organization has also reportedly infiltrated the Indian film-making industry, extorting producers, assassinating directors, distributing movies, and pirating films.<sup>63</sup>

#### **Dawood Ibrahim's D-Company**

- **Bases of Operation:** Pakistan, India, and the United Arab Emirates.
- **Known Criminal Links:** Human smuggling, weapons and drugs trafficking, extortion and protection rackets, and money laundering.
- **U.S. Government Actions:** Identified as a Specially Designated Global Terrorist (2003) and a Significant Foreign Narcotics Trafficker (2006).

Ibrahim began as a criminal specialist in Bombay, India, first as a low-level smuggler in the 1970s and later as the leader of a poly-crime syndicate. He formed a thriving criminal enterprise throughout the 1980s and became radicalized in the 1990s, forging relationships with Islamists, including Lashkar-e-Tayyiba and Al Qaeda. D-Company's evolution into a true criminal-terrorist group began in response to the destruction of the Babri Mosque in Uttar Pradesh, India, in December 1992, and the subsequent riots that killed hundreds of Muslims. Outraged by the attacks on fellow Muslims and believing the Indian government acted indifferently to their plight, Ibrahim decided to retaliate. A heretofore secular organization with a sizable Hindu membership now assumed the objective of protecting India's Muslim minority.<sup>64</sup> Reportedly with assistance from the Pakistan government's intelligence branch, the Inter-Services Intelligence agency (ISI), D-Company launched a series of bombing attacks on March 12, 1993, killing 257 people.<sup>65</sup>

Following the attacks, Ibrahim moved his organization's headquarters to Karachi, Pakistan. There, D-Company is believed to have both deepened its strategic alliance with the ISI and developed links to Lashkar-e-Tayyiba (LeT), which was designated by the United States as a foreign terrorist organization (FTO) in 2001. During this time period, some say D-Company began to finance LeT's activities, use its companies to lure recruits to LeT training camps, and give LeT operatives use of its smuggling routes and contacts.<sup>66</sup> Press accounts have reported that Ibrahim's network might have provided a boat to the 10 terrorists who killed 173 people in

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<sup>60</sup> U.S. Department of the Treasury, "U.S. Designates Dawood Ibrahim as Terrorist Supporter," press release, October 16, 2003.

<sup>61</sup> P.L. 106-120; 113 Stat 1606, 1626-1636; 21 USC 1901-1908, 8 USC 1182(a)(2)(C). See also, U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC), "An Overview of the Foreign Narcotics Kingpin Designation Act and Executive Order 12978 of October 21, 1995," at <http://www.treas.gov/offices/enforcement/ofac/programs/narco/drugs.pdf>.

<sup>62</sup> Sumita Sarkar and Arvind Tiwari, "Combating Organised Crime: A Case Study of Mumbai City," *Faultlines*, Vol. 12, 2002.

<sup>63</sup> Gregory F. Treverton et al., *Film Piracy, Organized Crime, and Terrorism*, RAND Corporation, 2009, pp. 128-135.

<sup>64</sup> Ryan Clarke and Stuart Lee, "The PIRA, D-Company, and the Crime-Terror Nexus," *Terrorism and Political Violence*, Vol. 20, No. 3, July 2008, p. 390.

<sup>65</sup> Treverton et al., p.121.

<sup>66</sup> Ibid, p.126; Clarke and Lee, p.388.

Mumbai in November 2008.<sup>67</sup> The U.S. government contends that D-Company has found common cause with Al Qaeda and shares its smuggling routes with that terrorist group.<sup>68</sup> The United Nations has added Ibrahim to its list of individuals associated with Al Qaeda.<sup>69</sup>

D-Company's seeming transformation from a profit-motivated criminal syndicate to a fusion crime-terror organization also altered its composition. Many of the Hindu members left the group after the 1993 bombings, with some forming a competing gang.<sup>70</sup> While the organization reportedly collaborates with LeT and Al Qaeda, the more secular orientation of D-Company's leadership makes it unlikely that it will formally merge with those terrorist groups, analysts believe.<sup>71</sup> Regardless, D-Company's own terrorist endeavors, its deep pockets, and its reported cooperation with LeT and Al Qaeda, present a credible threat to U.S. interests in South Asia, security experts assess. Lending his criminal expertise and networks to such terrorist groups, he is capable of smuggling terrorists across national borders, trafficking in weapons and drugs, controlling extortion and protection rackets, and laundering ill-gotten proceeds, including through the abuse of traditional value transfer methods, like hawala.<sup>72</sup> By providing those organizations with funding, contacts, and logistical support, it amplifies their capabilities and durability.

## **Terrorist Organizations with In-House Criminal Structures: Revolutionary Armed Forces of Colombia (FARC)**

Terrorist organizations may develop institutionalized in-house criminal structures to complement their operational efforts. In such scenarios, the group may establish a criminal wing that is deeply involved in illicit activities. The organization may recruit existing criminals into the organization, cultivate criminal skills among existing cadre, or pursue a combination of the two. For some groups with in-house capabilities, the criminal activity will always be secondary to its political aspirations. Others, though, may morph into more of a hybrid entity that is equal parts criminal enterprise and terrorist organization. This process has been referred to by some analysts as the "gangsterization" of the group, where profit-making becomes the driving force and participation in illicit enterprises takes on a self-sustaining momentum.<sup>73</sup> Possessing in-house skills might not preclude an organization from partnering with strictly criminal groups, governments, or other terrorist groups, which can provide additional expertise or protection. Creating a criminal branch has the potential to change the composition of a terrorist organization. It may begin to attract a different breed of recruit, one that may not have the same ideological fervor of founding members. The political motivations of the organization may abate as it becomes involved in illicit profit-making ventures, some analysts contend.

The FARC emerged more than 40 years ago as a Marxist-Leninist guerilla organization and an outgrowth of peasant self-defense leagues based in Colombia. In 1997, it was designated by the State Department as an FTO. It is an example of a terrorist group that contains an institutionalized

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<sup>67</sup> "Captured Mumbai Terrorist Reveals Plot to Slaughter 5000," *Herald Sun*, December 1, 2008.

<sup>68</sup> U.S. Department of the Treasury, "U.S. Designates Dawood Ibrahim as Terrorist Supporter."

<sup>69</sup> U.N. Security Council, "Al-Qaida, Taliban Sanctions Committee Approves Changes to Consolidated List," Department of Public Information, July 25, 2006.

<sup>70</sup> Rollie Lal, "South Asian Organized Crime and Terrorist Networks," *Orbis*, Spring 2005, p.298.

<sup>71</sup> Treverton et al., p.128.

<sup>72</sup> Kaplan, 2005; Clarke and Lee, pp. 285-6.

<sup>73</sup> Treverton et al., p.128.

in-house criminal structure.<sup>74</sup> The FARC has long been involved in criminal activities. For years, the organization has committed bombings, assassinations, and kidnappings of Colombian government officials and civilians, as well as perpetrating more conventional military attacks against government and economic targets.<sup>75</sup> Kidnappings and extortion, and later drug trafficking, are among the FARC's primary sources of funding for its operations.<sup>76</sup>

Some observers suggest the FARC has become so dependent on its involvement in the drug trade that its narcotic operations may have surpassed, at least temporarily, its terrorist activities in importance and scope.<sup>77</sup> It is also believed to have entered into strategic alliances with external criminal syndicates and other terrorist organizations.<sup>78</sup> In May 2003, President Bush named the FARC a Significant Foreign Narcotics Trafficker pursuant to the Kingpin Act.<sup>79</sup> Three FARC terrorists became in March 2002 the first members of a known terrorist organization indicted in the United States for drug trafficking.<sup>80</sup> As of January 2009, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) had designated 77 FARC members or associates as narcotic traffickers.<sup>81</sup>

### **The FARC**

- **Base of Operation:** Colombia.
- **Known Criminal Links:** Drug production and trafficking, kidnapping, and extortion.
- **U.S. Government Actions:** Designated as a Foreign Terrorist Organization (1997); Specially Designated Global Terrorist (2001); and Significant Foreign Narcotics Trafficker (2003).

The FARC's role in Colombia's drug trade has evolved over time. Throughout the 1980s and into the mid-1990s, the organization reportedly levied a tax on the harvesters and buyers of coca paste and cocaine base cultivated and sold in territory under FARC control. Drug traffickers also reportedly paid the FARC to protect their processing laboratories from government forces and to use the terrorists' airfields.<sup>82</sup> One catalyst for this greater involvement was when the Colombian

<sup>74</sup> Other terrorist groups that fit this model include the Islamic Movement of Uzbekistan, Abu Sayyaf Group in the Philippines, and the Provisional Irish Republican Army and the Real Irish Republican Army. For more information on terrorism issues in Latin America, including the FARC, see CRS Report RS21049, *Latin America: Terrorism Issues*, by Mark P. Sullivan; and CRS Report RL32250, *Colombia: Issues for Congress*, by June S. Beittel.

<sup>75</sup> U.S. Department of State, Office of the Coordinator for Counterterrorism, *Country Reports on Terrorism 2008*, April 2009, pp. 324-325. In 2008, the FARC detonated bombs against civilian and government targets on at least four occasions, and carried out several high-profile assassinations.

<sup>76</sup> Targets for kidnappings and assassinations have at times been both ideologically motivated and for profit.

<sup>77</sup> See for example Braun, 2008. Some analysts suggest that the FARC may be in the process of strategic transformation. After several years of setbacks, the FARC is reportedly seeking new recruits and potentially regrouping its ideological base of support. Some point to the recent kidnapping and murder of Colombian governor Luis Francisco Cuellar in December 2009, the first such kidnapping since 2002, as an indication of possible strategic changes. Reports also indicate increases in homicides, rebel attacks, and paramilitary activity in the past year. See Sibylla Brodzinsky, "Colombia's FARC Rebels Kill Governor, Prompting Calls for Security Shift," *Christian Science Monitor*, December 23, 2009.

<sup>78</sup> Cornell, "Narcotics and Armed Conflict: Interaction and Implications," *Studies in Conflict & Terrorism*, March 2007.

<sup>79</sup> U.S. Department of the Treasury, "Treasury Takes Action Against FARC/AUC Narco-Terrorist Leaders in Continued Effort to Halt Narcotics Trafficking," press release, February 19, 2004.

<sup>80</sup> DEA, "Department of Justice Hands Down Drug Indictments Against FARC Terrorists," press release, March 18, 2002.

<sup>81</sup> U.S. Department of the Treasury, "Treasury Designates Additional FARC International Commission Members," press release, January 14, 2009.

<sup>82</sup> Alain Labrousse, "The FARC and the Taliban's Connection to Drugs," *Journal of Drug Issues*, Vol. XXX, 2005.

government provided the FARC with ostensible control over 42,000 square kilometers in the southern Caqueta region as a basis for peace negotiations. With a haven free from government interference, the FARC turned the territory into a drug depot.<sup>83</sup> Over time, observers claim that the FARC's leaders began to eliminate what they perceived as middle-brokers from the narcotics trade and take a more direct role in drug production and distribution. FARC leaders reportedly forced farmers to grow coca and sell it to local FARC commanders, who then transported the raw material to FARC-controlled processing and refining facilities.<sup>84</sup> This same time frame also corresponded with increased law enforcement pressure against and the decline of Colombia's main drug trafficking organizations, including the Medellin and Cali Cartels. As these traditional, vertically integrated groups deteriorated, the FARC expanded its drug trafficking activities to fill the emerging criminal void. By 2005, 65 of the FARC's 110 operational units were believed to be involved in the cultivation and circulation of cocaine.<sup>85</sup>

In addition to apparent involvement in longstanding illicit activities other than drugs, the FARC is believed to have become a major player in the global cocaine trade, having built its own trafficking networks outside Colombia while also partnering with foreign criminal syndicates.<sup>86</sup> Estimates on the FARC's narcotics revenue vary widely, with most analysts agreeing that the organization receives approximately 50% of its funding from the drug economy. The other 50% of its revenue is believed to come from the extortion of prominent business owners and farmers in territories it controls and from kidnapping ransoms. The organization even formed a special unit for taking hostages.<sup>87</sup> In 2003, ransoms were paid to secure the release of 673 people.<sup>88</sup> As of April 2009, the FARC was holding 28 political hostages, including a former governor and a city assemblyperson.<sup>89</sup> As its involvement in and dependence on illicit endeavors have increased, the FARC's ideological rigidity may have abated, some experts contend. Though the organization's top leadership still espouses Marxist-Leninist dogma and goals, the FARC is believed to be less involved in ideological training and indoctrination. While such a shift away from its ideological roots may merely be a temporary move, it is possible that for many low- and mid-level commanders, as well as for many foot soldiers and new recruits, the motivation for joining the FARC has shifted to economic reasons.<sup>90</sup>

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<sup>83</sup> Jeremy McDermott, "FARC and the Paramilitaries Take Over Colombia's Drugs Trade," *Jane's Intelligence Review*, July 1, 2004.

<sup>84</sup> DEA, "United States Charges 50 Leaders of Narco-Terrorist FARC in Colombia With Supplying More Than Half of the World's Cocaine," press release, March 22, 2006.

<sup>85</sup> International Crisis Group, "War and Drugs in Colombia," *Crisis Group Latin America Report No. 11*, January 27, 2005.

<sup>86</sup> Earlier this decade, the Colombian government uncovered international narcotics connections between the FARC and Brazilian kingpin Luis Fernando Da Costa and the FARC and the Arellano Felix drug trafficking organization in Mexico. In October 2008, Colombia's defense minister asserted that Mexican drug trafficking organizations were buying cocaine directly from the FARC. Finally, the U.S. Department of Treasury alleges that Hugo Armando Carvajal Barrios, the director of Venezuela's Military Intelligence Directorate, assisted the FARC by protecting its drug shipments from being seized by Venezuelan authorities. See *Ibid*; "Colombia Rebels Linked to Mexico Drug Cartels," *The Associated Press*, October 8, 2008; and U.S. Department of the Treasury, "Treasury Targets Venezuelan Government Officials Supporting the FARC," press release, September 12, 2008.

<sup>87</sup> Bilal Y. Saab and Alexandra W. Taylor, "Criminality and Armed Groups: A Comparative Study of FARC and Paramilitary Groups in Colombia," *Studies in Conflict & Terrorism*, Vol. 32, No. 6, June 2009, pp. 455-475.

<sup>88</sup> McDermott, "Colombian Report Shows FARC is World's Richest Insurgent Group," *Jane's Intelligence Review*, September 1, 2005.

<sup>89</sup> U.S. Department of State, *Country Reports on Terrorism 2008*, p.161.

<sup>90</sup> CRS discussions with Douglas Farah, senior fellow, Financial Investigations and Transparency, International Assessment and Strategy Center, July 8, 2009.

## Decentralized Terrorist Cells with In-House Criminal Capabilities: 2004 Madrid Bombers

Independent, locally organized terrorist cells at times become involved in illicit activities such as drug trafficking, theft, and fraud to fund their operations. Cells aspiring to perpetrate individual attacks or suicide bombings are likely to require fewer resources than those seeking to wage sustained campaigns. Occasionally, a larger hierarchical organization may distribute seed funding and logistical support to a cell to help initiate terrorist plots. In other situations, a diffuse terrorist node may receive only inspiration and ideological justification from a wider network, requiring, in turn, to self-finance and independently operationalize attacks. In the latter case, the cell may develop or already maintain in-house criminal capabilities or form links to external criminal syndicates. For those decentralized cells in need of criminal capabilities, they may seek out individuals with criminal expertise who also hold similar ideological beliefs or who are likely to succumb to terrorist recruitment pitches. Recruitment may occur in prison, an environment where criminals and terrorist entities may come in contact and develop relationships or friendships that can set the stage for the indoctrination of criminals into extremists.<sup>91</sup>

The cell that committed the March 2004 train bombings in Madrid provides an example of an independent group whose members used extensive criminal endeavors to fund a terrorist operation without any outside financial assistance. One of the plot's ringleaders and several accomplices were drug dealers and traffickers before they became radicalized and joined the Madrid cell.

These operatives sold narcotics to pay for cars, safe houses, phones, and other logistical support, and weapons. Furthermore, they reportedly exchanged drugs for the explosives used in the attacks.<sup>92</sup> During rush hour on March 11, 2004, 10 bombs exploded on four commuter trains in Madrid, killing 191 people and injuring at least 1,800. It was the deadliest terrorist attack in Europe since the 1988 Lockerbie bombing. On April 2, police found another bomb on train tracks 40 miles south of Madrid. The following day, police stormed an apartment housing the suspected terrorists, who blew themselves up during the raid.<sup>93</sup>

One of the masterminds of the Madrid bombings was Jamal Ahmidan, a major drug dealer who ran a far-reaching narcotics ring that sold hashish and Ecstasy throughout western Europe in the 1990s. Ahmidan reportedly first became interested in extremist Islamic ideology while serving time in a Spanish prison in 1998, and then was fully radicalized in a Moroccan jail from 2000 to 2003.<sup>94</sup> After returning to Spain, he connected with Sarhane Ben Abdelmajid Fakhel, a Tunisian who emigrated to pursue a doctorate in economics and later to work as a real estate agent. Fakhel provided the ideological grounding for the attack, while Ahmidan supplied the operational component. Investigators found no evidence of the cell receiving money from outside extremists, with the group solely relying on profits from Ahmidan's drug trade.<sup>95</sup> Ahmidan exchanged 66

### 2004 Madrid Bombers

- **Base of Operation:** Spain.
- **Known Criminal Links:** Drug trafficking.
- **U.S. Government Actions:** N/A.

<sup>91</sup> Ian M. Cuthbertson, "Prisons and the Education of Terrorists," *World Policy Journal*, Vol. 21, No. 3, Fall 2004, pp.18-19.

<sup>92</sup> Sebastian Rotella, "Jihad's Unlikely Alliance," *Los Angeles Times*, May 23, 2004.

<sup>93</sup> Victoria Burnett, "7 Are Acquitted in Madrid Bombings," *The New York Times*, October 31, 2007.

<sup>94</sup> Andrea Elliott, "Where Boys Grow Up to Be Jihadis," *The New York Times*, November 25, 2007.

<sup>95</sup> Elaine Sciolino, "Complex Web of Madrid Plot Still Entangled," *The New York Times*, April 12, 2004.



pounds of hashish for 440 pounds of dynamite with Jose Emilio Suarez Trashorras, a Muslim convert and former miner from northern Spain.<sup>96</sup> When Spanish authorities raided the terrorists' safe house, they found thousands of ecstasy tablets, believed to be one of the largest drug seizures in the nation's history.<sup>97</sup> The Madrid bombings are estimated to have cost between 41,000 and 50,000 Euros.<sup>98</sup>

The Madrid case demonstrates how the capabilities of potential terrorists can be greatly amplified when they are able to recruit criminals who possess technical expertise and connections to illicit material. The Madrid case also highlights the increased threat that decentralized cells may pose when cell members harness their criminal resources and capabilities. Moreover, the Madrid bombers' criminal activities may have helped them evade detection. They were known to Spanish authorities as narcotics dealers and one accomplice was even an informant for an anti-drug unit of the Civil Guard.<sup>99</sup> Their established involvement in the drug trade possibly obscured their terrorist motivations and potentially prevented authorities from further investigating their ultimate aims. However, this need not be the case in future situations. Participation in illicit activities can bring previously unknown terrorists to the attention of law enforcement agencies, while making it easier for authorities to penetrate cells with informants.

## **Coalitions Between Terrorist Groups and Criminal Organizations: The Taliban**

Terrorist organizations form external alliances at times with criminal enterprises operating in the same environment. The depth and durability of these relationships vary. Some terrorist groups view links to outside criminal networks as short-term marriages of convenience, where the actors build ephemeral business ties. In other cases, these relationships will be more synergistic, with terrorist and criminal groups creating enduring coalitions. In such a coalition relationship, criminals and terrorists assume complementary but separate roles. Often, the terrorists will supply criminals with protection, contacts, and unhindered access to smuggling infrastructure in return for money. Some analysts refer to this as a parasitic relationship, where terrorists feed off criminal profits and activities, while the criminals continue to operate with impunity.<sup>100</sup> In these coalitions, the terrorists generally do not appear to play a direct role in criminal activities.<sup>101</sup> This coalition remains stable while both parties benefit from the association. As soon as one group no longer

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<sup>96</sup> Dale Fuchs, "Spain Says Bombers Drank Water From Mecca and Sold Drugs," *The New York Times*, April 15, 2004; Burnett.

<sup>97</sup> Kaplan, 2005.

<sup>98</sup> Javier Jordan, "The Madrid Attacks: Results of Investigations Two Years Later," *Terrorism Monitor*, Vol. 4, No. 5, March 9, 2006. As of January 4, 2010, 41,000 to 50,000 Euros converts to approximately \$59,000 to \$72,000 U.S. dollars (<http://www.xe.com/>).

<sup>99</sup> Rotella.

<sup>100</sup> Hutchinson and O'Malley, p. 1104.

<sup>101</sup> Several factors may explain why a terrorist group does not play a direct role in criminal activities. Some groups may have other sources of funding, which provides them with the luxury of not needing to become deeply involved in a criminal enterprise. In other situations, certain groups may avoid direct involvement for ideological reasons. At times, a terrorist group may desire to be more involved in the criminal activity, but would risk being perceived by the criminal organization as a competitor, resulting potentially in unwanted violence. Lastly, some terrorist or insurgent organizations may fear that direct involvement in criminal activity, if disclosed to the public, could undermine their popular support.

needs the other, the coalition can break apart or its importance for either coalition participant diminishes.

The Taliban is an example of an insurgent organization involved in extensive terrorist activity that has entered into coalitions with criminal networks.<sup>102</sup> According to the State Department, it regularly commits terrorist attacks on civilians, government officials, and international non-governmental organizations in Afghanistan.<sup>103</sup> On July 3, 2002, then President Bush identified the Taliban, pursuant to Executive Order 13224, as a Specially Designated Global Terrorist (SDGT).<sup>104</sup> In June 2008, the U.N. Security Council adopted a resolution condemning the Taliban for its “ongoing and multiple criminal terrorist acts aimed at causing the deaths of innocent civilians.”<sup>105</sup> Furthermore, Secretary of State Hillary Clinton referred to both Al Qaeda and the Taliban as terrorists during a talk in India in July 2009.<sup>106</sup>

### **The Taliban**

- **Bases of Operation:** Afghanistan and Pakistan.
- **Known Criminal Links:** Drug trafficking, extortion, and kidnapping.
- **U.S. Government Actions:** Identified as a Specially Designated Global Terrorist (2002); target of active U.S. military combat in Afghanistan.

The narcotics trade is one of several sources of financing for the Taliban, which also include extortion and kidnapping, as well as private donations from individuals in Gulf countries and Al Qaeda.<sup>107</sup> While core Taliban fighters are not believed to directly cultivate, process or distribute opium—leaving that to criminal allies—they still play a large role in Afghanistan’s approximately \$3.4 billion drug trade by providing a safe haven.<sup>108</sup> Approximately 98% of Afghanistan’s opium is produced in seven provinces in the nation’s southwest that are ostensibly under Taliban control in large swaths.<sup>109</sup> Estimates vary on the importance of illicit drug revenues as a source of Taliban funding. According to recent press reports, officials from the U.S. intelligence community and North Atlantic Treaty Organization (NATO) believe the Taliban earns between \$60 million and

<sup>102</sup> Notably, the Taliban is not a monolithic movement and there are different factions within the Taliban, with varying levels of involvement in the drug trade.

<sup>103</sup> U.S. Department of State, *Country Reports on Terrorism 2008*, p.142.

<sup>104</sup> The Taliban is not one of the 44 groups officially designated by the U.S. government as a Foreign Terrorist Organization (FTO), one of several government terrorist lists. While a discussion of the distinctions between such lists is beyond the purview of this report, designations on various lists are governed by differing statutory guidelines, result in at times differing statutorily mandated consequences, and are influenced by varying political relationships and considerations.

<sup>105</sup> U.N. Security Council, “Security Council Resolution 1822 [on continuation of measures imposed against the Taliban and Al-Qaida],” June 30, 2008.

<sup>106</sup> Hillary R. Clinton, U.S. Secretary of State, “Remarks Following ITC Green Building Tour and Discussion,” New Delhi, India, July 19, 2009, at <http://www.state.gov/secretary/rm/2009a/july/126206.htm>.

<sup>107</sup> For more on the narcotics trade in Afghanistan, see CRS Report RL32686, *Afghanistan: Narcotics and U.S. Policy*, by Christopher M. Blanchard. U.N. Office on Drugs and Crime (UNODC), “Addiction, Crime, and Insurgency: The Transnational Threat of Afghan Opium,” October 2009, p. 102; Michael J. Carden, “Narcotics Trade Fuels Afghanistan Insurgency, Mullen Says,” *American Forces Press Service*, September 19, 2008.

<sup>108</sup> There is no consensus on the extent of this role among experts. Some believe that individual Taliban fighters are directly running drug labs and deeply involved in selling opium. Often this debate comes down to how one defines “Taliban.” The core, ideological Taliban would likely not be involved in the day-to-day production of drugs. However, some individuals who are allied to the Taliban and fight coalition forces, but are not truly core Taliban members, may very well engage in opium production.

<sup>109</sup> UNODC, “Afghanistan: Opium Survey 2008,” November 2008, p. 2.

\$100 million annually from its participation in the narcotics industry.<sup>110</sup> U.N. analysts reportedly peg the amount at \$125 million.<sup>111</sup> Richard Holbrooke, the U.S. special representative for Afghanistan and Pakistan, stated in August 2009 that the Taliban receives more money from sympathizers in the Persian Gulf than from the drug trade.<sup>112</sup> Afghan officials, meanwhile, estimate about half the opium seized in the country has some connection to the Taliban.<sup>113</sup>

The Taliban reportedly obtains drug-related proceeds in several ways. Taliban commanders coerce some poppy farmers to pay a tax, called *ushr*, of 10% of their profits. The Taliban also encourages, if not outright forces, some farmers to plant poppy crops. Additionally, the Taliban receives money, vehicles, and weapons from drug lords in exchange for protection in the territory the Taliban controls. Opium traffickers pay the Taliban to let them transport narcotics throughout Afghanistan to neighboring nations.<sup>114</sup> Moreover, Taliban fighters provide security for processing labs and for shipments of the chemicals needed to make heroin.<sup>115</sup> They also help drug lords fight Afghan government forces engaged in poppy eradication efforts.<sup>116</sup> Finally, reports indicate that major drug trafficking networks regularly give money to the governing body of the Taliban, the Quetta *shura*.<sup>117</sup>

The Taliban's collusion with drug traffickers provides local militants with a steady stream of income to amplify their capabilities, purchase weapons, and recruit other fighters. In turn, the drug traffickers' shipments have the security protection of the Taliban. The additional profits that the Taliban can obtain through the illicit narcotics trade has a destabilizing effect on Afghanistan, both extending the capabilities of the Taliban and strengthening the reach of drug traffickers, experts assess. Some argue that the Taliban's drug-related profits may also indirectly benefit Al Qaeda and Al Qaeda-related sympathizers in the region, potentially reducing the amount of funding that the Taliban would otherwise hope to receive from such terrorist entities. The current coalition could collapse, however, if at least one party in the coalition decides to eliminate the relationship. While there is insufficient publicly available information to confirm changes in Taliban-drug trafficker relationships in the early 2000s, some have suggested that the relationship may have temporarily collapsed at least once. During the 2001 opium poppy growing season, for example, the Taliban unilaterally decided to implement a ban on opium production, resulting in a near 95% reduction in cultivation for that year in Afghanistan. Others, however, have suggested that the relationship remained ongoing through the early 2000s, affecting opium poppy farmers, but not the drug taxation-government protection relationship between the Taliban and the traffickers. Future collapses could also result from a decision by drug traffickers to cease their

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<sup>110</sup> Slobodan Lekic, "U.S. Envoy: Most Taliban Funds Come From Overseas," *Associated Press*, July 28, 2009; James Risen, "U.S. to Hunt Down Afghan Drug Lords Tied to Taliban," *The New York Times*, August 10, 2009.

<sup>111</sup> "Afghanistan's Narco War: Breaking the Link Between Drug Traffickers and Insurgents," Senate Foreign Relations Committee, Committee Print, S.Prt. 111-29, 111<sup>th</sup> Congress, 1<sup>st</sup> Session, August 10, 2009, p.17.

<sup>112</sup> Lekic.

<sup>113</sup> Gretchen Peters, "Taliban Drug Trade: Echoes of Colombia," *Christian Science Monitor*, November 21, 2006; CRS discussions with the U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, Office of Afghanistan and Pakistan, July 2009.

<sup>114</sup> Jacob Townsend, "Upcoming Changes to the Drug-Insurgency Nexus in Afghanistan," *Terrorism Monitor*, Vol. 7, No. 2, January 23, 2009.

<sup>115</sup> John L. Anderson, "The Taliban's Opium War," *The New Yorker*, July 9, 2007.

<sup>116</sup> Muhammad Tahir, "Fueling the Taliban: Poppies, Guns and Insurgents," *Terrorism Monitor*, Vol. 6, No. 14, July 10, 2008.

<sup>117</sup> See for example "Afghanistan's Narco War: Breaking the Link Between Drug Traffickers and Insurgents," p.16.

links to local Taliban commanders. If the Taliban can no longer protect drug facilities and shipping routes, for example, it will cease to be of use to drug lords.

## **Criminal Entrepreneurs as Terrorist Specialists, Liaisons, Facilitators, and Gatekeepers: Abu Ghadiyah, Monzer Al Kassar and Viktor Bout**

In some instances, a terrorist group's criminal activity is conducted by "specialists" or "shadow facilitators" who are specifically recruited for their criminal expertise, or contractors who may cooperate with a variety of terrorist groups and other criminal entities.<sup>118</sup> These criminal specialists may be experts in black market technology and communications, money laundering, contraband smuggling, cyber fraud, and many other criminal services. Terrorist groups may seek such specialists out among an existing pool of criminal actors. Alternatively, terrorist groups may hire such specialists for specific projects on a contractual basis; in such instances, criminal actors may either be knowing accomplices or hired through intermediaries and potentially unaware that their clients are terrorists.<sup>119</sup> In other instances, a terrorist group may send its members out for specialty training with known criminal experts. While the full range and extent of criminal specialist interactions with terrorist groups is unlikely to be known, several high profile examples have been documented recently in news articles, press releases, books, and academic journals. These examples share common origins as criminal actors who forge relationships with terrorist groups—ranging from becoming fully co-opted by, or integrated into, a terrorist group to maintaining transactional relationships with various entities, including terrorist groups.

According to press accounts, the case of Iraqi national Abu Ghadiyah (now deceased) appears to sit on one extreme of this spectrum.<sup>120</sup> Abu Ghadiyah and his family were reportedly long known to the U.S. intelligence community as a human smuggling network along the Syrian-Iraqi border.<sup>121</sup> An anonymous senior U.S. official is quoted as saying: "He comes from a family of smugglers.... He seems to have turned the family business toward the movement of terrorists, explosives, weapons, etc., into Iraq."<sup>122</sup> Upon U.S. forces entering Iraq, Abu Ghadiyah provided aspiring jihadists with logistical and financial support—passports, weapons, money, guides, and safe houses—associated with being smuggled into Iraq. According to the Treasury Department, Abu Ghadiyah was appointed in 2004 as Al Qaeda in Iraq's Syrian commander of logistics.<sup>123</sup> In

### **Abu Ghadiyah**

- **Bases of Operation:** Iraq and Syria.
- **Known Criminal Links:** Human smuggling.
- **U.S. Government Actions:** Identified as a Specially Designated Global Terrorist (2008); was a target of active U.S. military combat in Iraq.

<sup>118</sup> See generally, Shelley, March 2008, pp. 165-6.

<sup>119</sup> For such an argument, see Shelley and Picarelli, p. 307.

<sup>120</sup> Pamela Hess, "Officials: Foreign Fighter Chief Killed in Syria," *Associated Press*, October 28, 2008; Zeina Karam and Hussein Malla, "US Official: Raid on Syria Killed Leader of Cell," *Associated Press*, October 27, 2008.

<sup>121</sup> Mark Hosenball, "Targeting a 'Facilitator': A Commando Raid into Syria Aimed at Al Qaeda in Iraq," *Newsweek*, October 27, 2008.

<sup>122</sup> Greg Miller and Josh Meyer, "Senior Al Qaeda Member Killed in U.S. Raid in Syria, Officials Say," *Los Angeles Times*, October 28, 2008.

<sup>123</sup> U.S. Department of the Treasury, "Treasury Designates Members of Abu Ghadiyah's Network: Facilitates Flow of Terrorists, Weapons, and Money From Syria to al Qaeda in Iraq," press release, February 28, 2008; Matthew Levitt, "Al-Qa'ida's Finances: Evidence of Organizational Decline? *CTC Sentinel*, Vol. 1, Issue 5, April 2008, p. 8.

this position he not only continued his smuggling activities but also reportedly became involved in organizing at least two attacks in Iraq.<sup>124</sup>

Syrian native Monzer Al Kassar and Russian national Viktor Bout are two recently arrested international arms traffickers who are also known for possessing links to terrorist groups. Their activities serve as an example of how criminal entrepreneurs may be willing to provide material support and services to terrorist organizations in exchange for payment. Unlike Abu Ghadiyah, Al Kassar and Bout's allegiances were not committed to any specific terrorist group or ideology; their motives appeared purely profit-driven. Prior to his 2007 arrest and subsequent conviction, Al Kassar had been involved in international arms trafficking since the early 1970s.<sup>125</sup> In 2001, he reportedly provided at least one delivery of explosives to a known Hezbollah leader in the tri-border area of Argentina, Brazil, and Paraguay.<sup>126</sup> Later, in a sting operation led by DEA, Al Kassar and an associate agreed to sell a variety of weapons to the FARC, including 15 surface-to-air missiles, 4,000 grenades, nearly 9,000 assault rifles, and thousands of pounds of C-4 explosives.<sup>127</sup>

#### **Monzer Al Kassar**

- **Bases of Operation:** Syria and Spain.
- **Known Criminal Links:** Arms trafficking.
- **U.S. Government Actions:** Convicted of narcoterrorism in the United States and serving 30 years in prison.

In a similar sting operation involving the DEA, Viktor Bout was arrested in Thailand in 2008, where he allegedly was planning to make final arrangements to transport 700 to 800 surface-to-air missiles, 5,000 AK-47 assault weapons, millions of rounds of ammunition, land mines, C-4 explosives, and remotely operated aerial vehicles to the FARC.<sup>128</sup> Bout is believed to be one of the world's most prodigious arms traffickers, notorious for his ability to transport practically anything anywhere with his fleet of old Russian cargo planes.<sup>129</sup> Prior to his arrest, Bout was widely believed to have had a hand in a wide range of international contraband smuggling and sanctions-busting activities. Both the United Nations and the U.S. government sought to freeze his assets, and Belgium issued an arrest warrant for him in 2002 for crimes related to money laundering and diamond smuggling. He has also been accused of illegally transporting arms to the Taliban and Al Qaeda, though Bout has denied such allegations.<sup>130</sup> Notably, many of Bout's reported international trading and transport ventures were driven by the opportunity to generate significant profits. His cargos were known to include licit goods, such as

#### **Viktor Bout**

- **Base of Operation:** Russia.
- **Known Criminal Links:** Arms trafficking, money laundering, and diamond smuggling.
- **U.S. Government Actions:** Identified as a Specially Designated National (2004); indicted in May 2008, seeking extradition to the United States.

<sup>124</sup> Robert H. Reid, "AP Impact: Al-Qaida's Route Through Syria Persists," *Associated Press*, October 28, 2008.

<sup>125</sup> Benjamin Weiser, "An Arms Dealer is Sentenced to 30 Years in a Scheme to Sell Weapons to Terrorists," *The New York Times*, February 24, 2009.

<sup>126</sup> Hudson et al., July 2003, p. 18.

<sup>127</sup> Weiser; Alan Feuer, "A Major Arms Dealer in Shackles, Delivered to New York," *The New York Times*, June 14, 2008.

<sup>128</sup> David Johnston and Seth Mydans, "Russian Charged with Trying to Sell Arms," *New York Times*, March 7, 2008; Thomas Fuller, "Russian in Extradition Battle Says U.S. Agents Violated Law," *New York Times*, June 29, 2009.

<sup>129</sup> See Douglas Farah and Stephen Braun, *Merchant of Death: Money, Guns, Planes, and the Man Who Makes War Possible*, John Wiley & Sons, Inc., 2007; Peter Landesman, "Arms and the Man," *New York Times Magazine*, August 17, 2003.

<sup>130</sup> Michael Wines, "A Nation Challenged: A Suspect; Russian Goes on the Air to Deny Al Qaeda Ties," *New York Times*, March 1, 2002.

gladiolas and frozen chickens, as well as illicit items. His clients variously included U.N. peacekeepers; the U.S. Department of Defense; former Liberian President Charles Taylor, an accused war criminal; the FARC; and former Afghan Northern Alliance Leader Ahmed Shad Massoud.

## **Terrorist Organizations with Criminal Sympathizers: Hezbollah**

Terrorist organizations can profit from illicit activities without going as far as developing in-house criminal capabilities or establishing coalitions with criminal networks. Ethnic-, religious-, or identity-based terrorist groups sometimes solicit donations from criminals living in diaspora communities. While these criminals are engaged in criminal activity for self-profit, they can also be sympathetic to the political cause of terrorist organizations, especially if familial or kinship ties are impacted. Other criminals may just be interested in gaining clout with an influential actor and view the transfer of money to terrorists as akin to a contribution to a political party.<sup>131</sup> In such scenarios, criminals voluntarily remit a portion of their proceeds to the terrorist organization. At times, the organization may use facilitators to cajole or coerce the criminals into handing over money. The appeal of this system to the terrorist group is that it benefits from illicit endeavors without taking on any of the risk of running a criminal enterprise. A reliance on criminal sympathizers limits the terrorists' exposure to law enforcement agencies and keeps their financial and human resources focused on operations and logistics.<sup>132</sup>

Hezbollah is a Shia political and paramilitary organization based in Lebanon. Designated by the U.S. government as an FTO in October 1997, it is one example of this type of crime-terrorism convergence.<sup>133</sup> Experts estimate that millions of dollars in money raised through illicit means are channeled back to the organization in Lebanon every year. It is believed that the vast majority of these criminal enterprises are not owned or operated by Hezbollah members. Instead, ethnic Lebanese in South America, North America, Europe, and West Africa who support Hezbollah for religious, ideological, or personal reasons remit money through couriers or electronic transfers.<sup>134</sup> For the most part, this is donor-driven financing, analysts contend.<sup>135</sup> Hezbollah facilitators are also known to collect "taxes" on Shia diaspora businesses, both legal and illegal, that then support

### **Hezbollah**

- **Base of Operation:** Lebanon.
- **Known Criminal Links:** "taxation" of criminal enterprises, including drug, cigarette and diamond smuggling; and money laundering.
- **U.S. Government Actions:** Designation as a Foreign Terrorist Organization (1997) and a Specially Designated Global Terrorist (2001).

<sup>131</sup> Notably, some terrorist groups have legitimate political wings. It is thus possible that donors, whether criminal or otherwise, provide funding to such terrorist groups, believing that the funding is going to a legitimate political organization.

<sup>132</sup> Matthew Levitt, "Hezbollah: Financing Terror Through Criminal Enterprise," testimony before the Senate Committee on Homeland Security and Governmental Affairs, May 25, 2005.

<sup>133</sup> For further information on Hezbollah, Iran, and Lebanon issues, see CRS Report R40054, *Lebanon: Background and U.S. Relations*, by Casey L. Addis; and CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

<sup>134</sup> See Frank C. Urbancic, "Hizballah's Global Reach," testimony before the House Committee on International Relations, Subcommittee on International Terrorism and Nonproliferation, and Subcommittee on Middle East and Central Asia," September 28, 2006; Doug Farah, "Hezbollah's External Support Network in West Africa and Latin America," International Assessment and Strategy Center, August 4, 2006.

<sup>135</sup> Rensselaer Lee, "The Triborder-Terrorism Nexus," *Global Crime*, Vol. 9, No. 4, November 2008, p. 334.

the organization's military, political, and social services wings.<sup>136</sup> Money from criminal enterprises, however, is believed to make up a small portion of Hezbollah's financing. Iran is Hezbollah's primary funding source, donating at least \$200 million in 2008, according to the State Department.<sup>137</sup> The organization also relies on charities and legitimate business donors at home and abroad.

The tri-border region of South America, where Argentina, Brazil, and Paraguay meet, is a hotbed of drug trafficking, arms smuggling, human trafficking, and the pirating of electronic goods. It is also home to thousands of Lebanese, a few of whom are heavily involved in the region's burgeoning criminal networks. For example, Assad Barakat, who emigrated from Lebanon to Paraguay at 17, reportedly funneled some of the proceeds of his extensive smuggling and counterfeiting operation, which included pirating Nintendo video games, back to Hezbollah. Paraguayan investigators estimate that he sent about \$6 million a year from 1999 to 2003 to the terrorist organization.<sup>138</sup> While domestic aspects of crime-terrorism links are not a focus of this report, recent media attention has highlighted the presence of criminal networks composed of Hezbollah sympathizers not only internationally, but within the United States as well.<sup>139</sup> One such case was that of a cigarette smuggling ring in North Carolina convicted in 2002 of a host of crimes, including providing material support to terrorists. The criminals purchased cigarettes in North Carolina, a low-tax state, and then sold them at a profit in Michigan.<sup>140</sup> The ring is believed to have netted up to \$2 million on the scheme, which they used to purchase cameras, night-vision goggles, computers, and other equipment for Hezbollah.<sup>141</sup>

Hezbollah-supporting criminals are also believed to be active in the narcotics trade. U.S. law enforcement agencies, according to Admiral James G. Stavridis, have aided in the arrest of dozens of individuals in Colombia on drug and money laundering charges who were connected to Hezbollah.<sup>142</sup> The organization benefits from drug dealers operating in Lebanon's Bekaa Valley who sell drugs to Israeli-Arabs in exchange for money or information.<sup>143</sup> In 2002, a Lieutenant Colonel in the Israeli Army was charged with spying for Hezbollah in return for hashish and heroin.<sup>144</sup> Finally, some analysts contend that Hezbollah has made millions off the diamond trade in Sierra Leone, Liberia, and the Democratic Republic of Congo through Lebanese Shia merchants living in those countries. Few of these diamond traders reportedly work for Hezbollah; instead, they are believed to donate a portion of their proceeds to the organization.<sup>145</sup>

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<sup>136</sup> Farah, "Hezbollah's External Support Network in West Africa and Latin America."

<sup>137</sup> U. S. Department of State, *Country Reports on Terrorism 2008*, p. 183.

<sup>138</sup> Michael P. Arena, "Hizballah's Global Crime Operations," *Global Crime*, Vol.7, No. 3, August 2006, p. 60; Lee, p. 335.

<sup>139</sup> See for example Sari Horwitz, "Cigarette Smuggling Linked to Terrorism," *Washington Post*, June 8, 2004.

<sup>140</sup> David E. Kaplan, "Homegrown Terrorists: How a Hezbollah Cell Made Millions in Sleepy Charlotte, N.C.," *U.S. News & World Report*, March 2, 2003.

<sup>141</sup> Arena, pp. 464-466.

<sup>142</sup> James G. Stavridis, U.S. Navy Commander, U.S. Southern Command, "The Posture Statement of Admiral James G. Stavridis, testimony before the Senate Armed Services Committee," March 17, 2009.

<sup>143</sup> Levitt, "Hezbollah: Financing Terror Through Criminal Enterprise."

<sup>144</sup> James Bennet, "Israeli Bedouin Colonel is Formally Charges with Spying," *The New York Times*, October 25, 2002.

<sup>145</sup> Farah, "Hezbollah's External Support Network in West Africa and Latin America;" Rabasa et al., 2006.

Prior to September 11, 2001, Hezbollah was responsible for more American deaths than any other terrorist organization.<sup>146</sup> Furthermore, the organization's 34-day conflict with Israel in 2006 demonstrated the sophistication of its weaponry, operational expertise, and propaganda machine. It is unclear to what degree funding from criminal sympathizers helps Hezbollah augment its terrorist and insurgency capabilities, but it likely strengthens the organization as a whole. In addition to its military and political branches, Hezbollah manages a robust social welfare apparatus. Some of the remittances from illicit enterprises are earmarked for constituent services, such as the building of hospitals, schools, and mosques. It is important to note that while these criminal sympathizers do not directly participate in or provide operational support for Hezbollah's terrorist activity, that potential exists, security experts believe. If the organization decided to attack U.S. or Israeli interests in West Africa or South America, it is possible that these sympathizers could play a concrete role.

## **Terrorist Organizations with Peripheral Connections to Criminal Groups: Al Qaeda**

Some terrorist groups will eschew forming alliances with criminal syndicates, creating in-house capabilities, or partnering with criminal sympathizers. However, decentralized cells, franchises, or associates with peripheral ties to the organization may still be involved in criminal activity—with or without the knowledge of the core leadership. Further, such terrorist groups may nevertheless form connections with other terrorist groups that are more inclined to partner with criminal actors or to more directly involve themselves in criminal activity.

Al Qaeda is an example of an organization whose core leadership has mostly steered clear of criminal endeavors and enterprises. Partially, analysts believe, this is because of the leadership's strict ideological beliefs against certain criminal activities. Terrorist group leaders such as Osama bin Laden and Ayman al-Zawahiri would risk losing their theological and ideological legitimacy with supporters if they were found to be directly involved in activities that violated the tenets of Islam. This could explain why top Al Qaeda operatives do not appear to participate directly in the lucrative opium industry in Afghanistan, despite their proximity and deep linkages to the Taliban. U.S. government officials reportedly have found no evidence that Al Qaeda profits from the narcotics trade or that the Taliban channels drug money to the organization's leadership.<sup>147</sup> Furthermore, the 9/11 Commission concluded that there is no evidence that Osama bin Laden made any of his money through drug trafficking.<sup>148</sup>

### **Al Qaeda**

- **Base of Operation:** Afghanistan and Pakistan, with affiliates globally.
- **Known Criminal Links:** Limited. Affiliates such as Al Qaeda in Iraq (AQI) and Al Qaeda in the Islamic Maghreb (AQIM) have been involved in kidnapping, extortion, and contraband smuggling.
- **U.S. Government Actions:** Designation as a Foreign Terrorist Organization (1999) and a Specially Designated Global Terrorist (2001).

Al Qaeda receives most of its funding from rich donors and charities in Arab communities, especially in Persian Gulf states. Before the September 11 attacks, the U.S. Central Intelligence

<sup>146</sup> U.S. Department of State, *Country Reports on Terrorism 2008*, p.307.

<sup>147</sup> "Afghanistan's Narco War: Breaking the Link Between Drug Traffickers and Insurgents," p.18.

<sup>148</sup> See the 9/11 Commission, *Final Report of the National Commission on Terrorist Attacks Upon the United States*, 2004, p. 171.



Agency (CIA) estimated that Al Qaeda's annual budget was around \$30 million.<sup>149</sup> There is evidence that the organization is struggling financially in the wake of the global recession, an unlikely scenario, experts assess, if Al Qaeda were more directly involved in profiting from the heroin trade in Afghanistan. In June 2009, for example, Mustafa Abu al-Yazid, the organization's commander in Afghanistan, and bin Laden both released audio messages beseeching supporters to give money to the organization, with al-Yazid adding that militants were short of food, weapons, and other supplies.<sup>150</sup>

While the organization's leadership does not appear to have become involved with criminal activities, some of its affiliates likely have. Al Qaeda's branch in Iraq operated profitable kidnapping, extortion, and smuggling rings. The U.S. Navy said that men it arrested on a boat in the Persian Gulf in December 2003 with up to \$10 million worth of hashish had "clear ties" to Al Qaeda in Iraq.<sup>151</sup> Additionally, some analysts believe Al Qaeda operatives may have been involved in the illicit diamond business in West Africa and more recently, cocaine smuggling in West Africa and the Sahara through Al Qaeda in the Islamic Maghreb (AQIM).<sup>152</sup> While the 9/11 Commission reported that it had "seen no persuasive evidence that Al Qaeda funded itself by trading" in diamonds, others contend that Al Qaeda used African diamonds to convert cash into an anonymous transportable form of wealth that could be used to launder funds.<sup>153</sup>

## **Terrorist Cells without Major Criminal Involvement: 2005 London Bombings**

Decentralized, organically-formed terrorist cells do not necessarily rely on illicit activities or outside sources to finance or logistically support terrorist attacks. This is especially true if the group is dedicated to committing a one-time operation, such as a suicide bombing. While it can be costly to support a cell for a durable terrorist campaign, which could require long-term funding for lodging and food, permanent security apparatus, and communication equipment, individual attacks need not be prohibitively expensive to plan and perpetrate. In such cases, terrorists can draw on legal financial means, such as income earned through licit employment, personal savings, the selling of possessions, bank credit, or loans from family and friends.

The four-man terrorist cell that executed suicide bombings on the London transportation system on July 7, 2005, killing 52 and injuring at least 700, is an example of this model. The terrorists detonated explosives made from relatively cheap, over-the-counter material, including hydrogen peroxide, citric acid, and heating tablets.<sup>154</sup> The operation's only other expenses were money for an apartment, a car, cell phones to detonate the bombs, travel around Britain, and plane tickets to Pakistan the previous fall for training purposes for two of the bombers, Mohammed Siddeque Khan and Shazad

### **2005 London Bombers**

- **Base of Operation:** UK.
- **Known Criminal Links:** Limited.
- **U.S. Government Actions:** N/A.

<sup>149</sup> Ibid, p.170.

<sup>150</sup> William Maclean, "Al-Qaida's Money Trouble," *Reuters*, June 15, 2009.

<sup>151</sup> Thom Shanker, "Navy Seizes Hashish; Sees Ties to Al Qaeda," *The New York Times*, December 20, 2003.

<sup>152</sup> See Farah, "Report Says Africans Harbored Al Qaeda," *The Washington Post*, December 29, 2002.

<sup>153</sup> 9/11 Commission, p. 170; Rabasa et al.; "For a Few Dollars More: How Al Qaeda Moved into the Diamond Trade," *Global Witness*, 2003.

<sup>154</sup> "NYPD Gives Details of July 7 Bombs," *CNN*, August 4, 2005.

Tanweer. British authorities estimate the overall cost at less than £8,000.<sup>155</sup> The four bombers raised the money through mostly legal means. Khan, who was employed full-time for three years preceding the attack, possessed multiple bank accounts and credit cards, and received a £10,000 loan from a British bank. To pay for the operation, he overdrew his accounts and defaulted on the personal loan.<sup>156</sup> Another member of the cell, Jermaine Lindsay, purchased some of the bomb making material with checks that subsequently bounced.

This relatively legal form of self-financing presents a significant challenge to law enforcement and intelligence agencies. By steering clear of illicit enterprises and criminals, terrorists are more likely to avoid detection and infiltration. On the other hand, by eschewing cooperation with criminals, terrorists are forced to rely on their own abilities. Depending on the terrorists' level of technical expertise, this could limit the scope or efficacy of an attack. For example, the bombs of four potential suicide terrorists on the London transportation system on July 21, 2005, failed to properly detonate, leading to their arrests.

## **Ambiguous or Unclear Involvement Between Terrorist and Criminal Groups: Al-Shabaab**

In certain cases, experts and government officials are unable to assess with certainty whether a terrorist group is directly involved in criminal activities or has linkages to criminal syndicates. As noted earlier, such connections are inherently opaque and challenging to uncover. It is particularly difficult to gauge the crime-terrorism convergence of a relatively new organization that is still developing its structure, operational objectives, and financing sources. Doubt over the level of collaboration with criminals or participation in illicit activity is also high when the organization is undergoing a change in leadership or ideological motivations.

Somalia's Al-Shabaab, which was designated by the U.S. government as an FTO in February 2008, is an example of a group whose involvement with criminal groups and activity is open for debate. Al-Shabaab spearheads a violent insurgency, along with several affiliated organizations, against the Transitional Federal Government of Somalia, and controls large swaths of the southern portion of the country.<sup>157</sup> It has claimed

responsibility for high-profile bombings against Somali officials, Ethiopian forces, and the peacekeepers of the African Union Mission in Somalia. The group has also assassinated government officials, journalists, international aid workers, and employees of non-governmental organizations. Some of the organization's senior leadership has ties to Al Qaeda operatives and Al-Shabaab is believed to have harbored at least two individuals involved in the 1998 embassy bombings in Kenya and Tanzania.<sup>158</sup>

### **Al-Shabaab**

- **Base of Operation:** Somalia.
- **Known Criminal Links:** Unclear.
- **U.S. Government Actions:**  
Designation as a Foreign Terrorist Organization (2008) and a Specially Designated Global Terrorist (2008).

<sup>155</sup> All information on how the bombing was financed come from the U.K. House of Commons, *Report of the Official Account of the Bombings in London on 7<sup>th</sup> July 2005*, May 11, 2006.

<sup>156</sup> Ibid.

<sup>157</sup> For more on Al-Shabaab's terrorist activity, see U. S. Department of State, *Country Reports on Terrorism 2008*, pp. 28-29 and 287.

<sup>158</sup> Ibid.

There is a vigorous debate within government, academic, and media circles over whether Al-Shabaab has links to pirates operating off Somalia's coast. The organization's leaders have lauded the pirate attacks on Western ships. Some observers have referred to the pirates as "mujahedeen." Muktar Robow, one of Al-Shabaab's apparent spokespeople, told reporters in April 2009 that "foreign powers want to divide the country and the pirates are protecting the coast against the enemies of Allah."<sup>159</sup> U.S. Navy officials, however, assess that there is no evidence to suggest that Al-Shabaab militants have financial or operational ties to pirates. Vice Admiral William Gortney, the commander of U.S. Naval Forces Central Command, told the House Armed Services Committee on March 5, 2009, that "We look very, very carefully for a linkage between piracy and terrorism or any kind of ideology and we do not see it. It would be a significant game changer should that linkage occur. But we have not seen it."<sup>160</sup> The State Department's 2008 Country Reports on Terrorism, released in April 2009, is more ambivalent about potential connections between Somali-based pirates and Al-Shabaab members. It states that, "While there is no clear nexus with terrorism, such a link remains possible."<sup>161</sup>

On the other hand, some analysts believe that elements of the group have developed a relationship with Somali pirates. The head of the East African Seafarers Assistance Programme told Reuters that pirates are channeling money to Al-Shabaab, stating that "the money they make from piracy and ransoms goes to support Al-Shabaab activities onshore."<sup>162</sup> An analyst for *Jane's Terrorism and Security Monitor* makes the argument that the terrorist group has formed extensive relationships with pirates. Citing anonymous Somali security authorities, the report claims that al-Shabaab receives at least 20% of ransoms from some pirate groups in exchange for training and weapons.<sup>163</sup> The pirates also help traffic weapons and people to the Al-Shabaab-controlled port of Kismayu. The analyst does not believe, however, that Al-Shabaab members participate in hijackings on the seas. David H. Shinn, the former U.S. ambassador to Ethiopia, has publicly given credence to these reports.<sup>164</sup> The possibility exists that Somali authorities wish to assert linkages between pirate groups and Al-Shabaab to encourage more robust international action against both groups.

## **Criminal Groups that Use Violence for Political Purposes: Mexico's La Familia, Colombia's Medellin, Italy's Mafia, and Brazil's Prison Gangs**

The use of political violence and scare tactics is likely to have been as longstanding a practice among criminal organizations as it has been among terrorist groups.<sup>165</sup> There are numerous instances chronicling criminal groups employing violent tactics that resemble terrorist attacks, particularly when subjected to intense law enforcement pressure, highlighting the possibility that

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<sup>159</sup> "Somalia: Islamist Rebel Leaders Hail Pirate Attacks," *Garowe Online*, April 12, 2009.

<sup>160</sup> For more on this topic, see CRS Report R40528, *Piracy off the Horn of Africa*, by Lauren Ploch et al., April 24, 2009.

<sup>161</sup> U. S. Department of State, *Country Reports on Terrorism 2008*, pp. 28-29

<sup>162</sup> Daniel Wallis, "Piracy Ransoms Funding Somalia Insurgency," *Reuters*, August 24, 2008.

<sup>163</sup> "Unholy High Seas Alliance," *Jane's Terrorism and Security Monitor*, October 31, 2008.

<sup>164</sup> David H. Shinn, "Who are the Somali Pirates?" remarks at the Somali Piracy Conference, National Maritime Intelligence Center and Office of Naval Intelligence, April 7, 2009.

<sup>165</sup> Shelley and Picarelli, p. 308.

criminal groups do not always shy away from public attention. Unlike terrorist groups, however, the motives and targets of a criminal group's violence are not usually based on political ideology. Instead, many observers point out that the criminal entity will selectively use violence to intimidate politicians and remove political threats, eliminate potential criminal competitors, and promote profit-driven organizational goals.<sup>166</sup> Nevertheless, such violent outbursts by criminal organizations can have similarly destabilizing effects on a state or society.

At times, criminal groups may resort to violence when the political environment in which they previously operated is altered. In such a situation, violence is a tactic of last resort to force a government to arrive at a political solution that is more attractive to the criminal group. For example, drug trafficking organizations in Mexico are believed to have become particularly violent in recent years due in large part to increasing government pressure.<sup>167</sup> As the Mexican government pressures the drug syndicates, they in turn are employing violence to pressure the government into returning to the previous status quo, which was characterized by widespread collusion between criminal groups and government officials.<sup>168</sup> La Familia Michoacana (*the family of the state of Michoacan*), one of several violent drug trafficking organizations (DTOs) in Mexico, has raised speculation among analysts regarding its pseudo-ideological motivations.

While other violent Mexican drug organizations can be distinguished from terrorist groups because of their lack of political ambition and intent to overthrow a government, La Familia's stated purpose is to do the "work of God" by bringing order to the Mexican state of Michoacan by countering external criminals operating in the area as well as emphasizing assistance and protection of the poor.<sup>169</sup> Recruits reportedly follow a strict moral code and pseudo-religious tenets espoused by the group's leader.<sup>170</sup> At seeming odds with its stated ideological motivations, however, La Familia is also known for its illicit drug production and distribution, particularly methamphetamine and marijuana; its headline-grabbing violent tactics and publicity stunts; and network of corrupt state politicians. The group reportedly was taught paramilitary tactics by the Zetas, originally a mercenary security force associated with drug trafficking organizations and formed by former elite Mexican Army soldiers. In one example of its combined use of violence and ideological rhetoric, hit men for La Familia reportedly entered a nightclub in Urapan, Mexico, in September 2006, and rolled five severed human heads onto the dance floor.<sup>171</sup> Accompanying the heads was a note that stated: "The family doesn't kill for money. It doesn't kill for women. It doesn't kill innocent people, only those who deserve to die. Know that this is divine justice."<sup>172</sup> While few analysts are convinced that La Familia is actually driven by ideology, the group maintains popular local support for its Robin Hood image as a defender of the vulnerable and poor. It is possible, however, that the ideological rhetoric serves as a useful cover

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<sup>166</sup> Ibid; Dishman, p. 45; Makarenko.

<sup>167</sup> Williams, "Drug Trafficking, Violence, and the State in Mexico," *Strategic Studies Institute*, op-ed, April 2009.

<sup>168</sup> For more information on drug related violence in Mexico see CRS Report R40582, *Mexico's Drug-Related Violence*, by June S. Beittel; CRS Report RL32724, *Mexico-U.S. Relations: Issues for Congress*, by Clare Ribando Seelke, Mark P. Sullivan, June S. Beittel; and CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke.

<sup>169</sup> Samuel Logan and John P. Sullivan, "Mexico's 'Divine Justice,'" ISN Security Watch, August 17, 2009; Sara Miller Llana, "The Rise of Mexico's La Familia, A Narco-Evangelist Cartel," *Christian Science Monitor*, November 23, 2009.

<sup>170</sup> Llana, 2009; Stratfor, "Mexican Drug Cartels: Two Wars and a Look Southward," December 16, 2009.

<sup>171</sup> "Human Heads Dumped in Mexico Bar," BBC News, September 7, 2006.

<sup>172</sup> Logan and Sullivan.

for the groups profit-driven criminal goals. Some suggest that La Familia is strategically leveraging its popular support as a means to protect its organization, members, and criminal turf from government and external criminal group competition.<sup>173</sup>

Historical examples of criminal groups using violence for political purposes include Colombia's Medellin DTO, Italy's mafia, and Brazil's prison gangs. In response to effective law enforcement pressure against the Medellin, a powerful Colombian drug trafficking organization in the late 1980s and early 1990s caused the group to launch a wave of violence against both Colombian officials and civilians. In total, the Medellin DTO's violent attacks resulted in the death of more than 500 Colombian police, 40 judges, and the explosion of a commercial airliner with almost 200 civilians on board.<sup>174</sup> In Italy, government crackdowns on the mafia were met with public displays of mafia violence in the 1990s, including the murder of dozens of high-level Italian politicians and judges through bombings and assassinations. The Italian mafia also bombed the Uffizi Gallery in Florence, Italy, as well as the St. John Lateran Church in Rome.<sup>175</sup> In Brazil, prison gangs formed in the 1970s by criminal and political detainees have applied terrorist tactics in campaigns against the Brazilian government in the 2000s. In 2003, for example, after Brazilian authorities arrested the leader of the Comando Vermelho (CV) prison gang, the group blew up more than a dozen cars and busses in Rio de Janeiro and targeted a variety of commercial and residential entities as well.<sup>176</sup> In 2006, another Brazilian prison gang centered around Sao Paulo, the Primeiro Comando da Capital (PCC), attacked approximately 40 police stations as well as the city's transportation system for five days, shutting down the city and resulting in the deaths of 115 Brazilians.<sup>177</sup>

## **Selected U.S. Government Actions Addressing the Confluence of International Terrorism and Transnational Organized Crime**

U.S. efforts to combat the relationship between crime and terrorism are a subset of broader policy responses to transnational crime and international terrorism individually. While numerous U.S. strategies and programs are designed to combat international terrorism and transnational crime separately, fewer efforts focus specifically on addressing the confluence of terrorism and crime. Those efforts that do exist focus mainly on (1) human smuggling and clandestine terrorist travel; (2) money laundering and terrorist financing; and (3) narcoterrorism links between drug traffickers and terrorists. Such an observation is not necessarily indicative of a lack of U.S. government effort to combat crime-terrorism connections, as programs to combat either terrorism or transnational crime may have positive feedback effects on the other.

Strategy documents since at least the Clinton Administration have identified the potentially growing relationship between criminals and terrorists as a source of concern.<sup>178</sup> Recent strategy

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<sup>173</sup> Ibid.

<sup>174</sup> Dishman, pp. 45, 50; Makarenko.

<sup>175</sup> Shelley and Picarelli, p. 309; Makarenko.

<sup>176</sup> Makarenko.

<sup>177</sup> Shelley, March 2008, p. 166-167.

<sup>178</sup> See for example the Clinton Administration's *International Crime Control Strategy*, June 1998.

documents include the Office of the Director of National Intelligence's 2009 *National Intelligence Strategy*, which identifies violent extremist groups, insurgents, and transnational criminal organizations as the top three non-state and sub-state threats to U.S. national interests. The *National Intelligence Strategy* also states that the ability of transnational criminal organizations to provide "weapons, hard currency, and other support to insurgents and violent criminal factions" is a cause for concern. The Office on National Drug Control Policy's 2009 *National Drug Control Strategy* justifies the policy goal of disrupting the market for illegal drugs in part because of the illicit profits and potential alliances cultivated by the drug trade that also facilitate the activities of international terrorists and transnational criminals. The Department of Justice's 2008 *Law Enforcement Strategy to Combat International Organized Crime* also identifies criminal logistical and other support to terrorists as one of the top threats posed by international organized crime.<sup>179</sup> Notably, however, none of these strategies provides the U.S. government with a comprehensive or whole-of-government approach to identifying and combating the nexus of transnational crime and terrorism. Other major U.S. strategy documents that touch on both transnational crime and international terrorism as priority threats, whether separately or in tandem, include the *National Security Strategy of the United States* (2006), *National Implementation Plan for the War on Terrorism* (2008), *National Homeland Security Strategy* (2007), *National Money Laundering Strategy* (2007), and *National Strategy for Combating Terrorism* (2006).

Internationally, the U.S. government participates in several multilateral and regional efforts to combat terrorism and transnational crime. Among these include participation as a State Party or signatory to the 13 international conventions dealing with preventing and countering terrorism as well as participation as a State Party in all five of the primary U.N. conventions to combat transnational crime, corruption, and drugs.<sup>180</sup> The U.S. government is also one of 34 member states to the Financial Action Task Force (FATF), an inter-governmental body that develops and promotes international policies to combat money laundering and terrorist financing.

The U.S. intelligence community (IC) is working on a classified National Intelligence Estimate (NIE) on international organized crime and its threats to U.S. national security interests, expected to be completed soon. While the objective of an NIE is to provide the IC's threat assessment, NIEs are not intended to overtly provide strategy or policy recommendations. Many in the

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<sup>179</sup> For further information on DOJ's domestic law enforcement efforts to combat organized crime, see CRS Report R40525, *Organized Crime in the United States: Trends and Issues for Congress*, by Kristin M. Finklea.

<sup>180</sup> The 13 terrorism treaties include the (1) 1963 Convention on Offences and Certain Other Acts Committed On Board Aircraft; (2) 1970 Convention for the Suppression of Unlawful Seizure of Aircraft; (3) 1971 Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation; (4) 1973 Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons; (5) 1979 International Convention Against the Taking of Hostages; (6) 1980 Convention on the Physical Protection of Nuclear Materials; (7) 1988 Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation; (8) 1988 Convention for the Suppression of Unlawful Acts Against the Safety of Maritime Navigation; (9) 1988 Protocol for the Suppression of Unlawful Acts Against the Safety of Fixed Platforms Located on the Continental Shelf; (10) 1991 Convention on the Marking of Plastic Explosives for the Purpose of Detections; (11) 1997 International Convention for the Suppression of Terrorist Bombings; (12) 1999 International Convention for the Suppression of the Financing of Terrorism; (13) 2005 International Convention for the Suppression of Acts of Nuclear Terrorism. As of November 18, 2009, the United States has signed, but not acceded to or ratified the 2005 International Convention for the Suppression of Acts of Nuclear Terrorism. The five crime-related U.N. treaties include the (1) U.N. Convention Against Transnational Organized Crime and the Protocols Thereto; (2) U.N. Convention Against Corruption; (3) Single Convention on Narcotic Drugs of 1953 as amended by the 1972 Protocol; (4) Convention on Psychotropic Substances of 1971; (5) U.N. Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988.

policymaking community anticipate that this report could initiate greater discussion and focus on addressing crime-terrorism relationships.

One concern that many observers hope this NIE addresses is whether suspected crime-terrorism relationships are on the increase, decrease, or holding steady. In attempting to assess the status of past and current partnerships, the arrangements can be measured from numerous perspectives, including level of organizational complexity, level of engagement between organizations, types of resources and support provided, and direction and awareness of organizational leadership. While such an assessment may be quite difficult to determine, ascertaining past partnering activities with respect to current and forecasted efforts may offer a trend analysis that assists in measuring the effectiveness of current U.S. programs to deter and defeat such arrangements. However, numerous factors could preclude the forthcoming NIE from effectively assessing historical trends, including the lack of a historical baseline for identifying various partnering arrangements, and the inability to assess how often and in what situations terrorists or criminal entities determine that partnering arrangements are not mutually beneficial.

The following sections provide a survey of some of the departments and agencies that address, to varying degrees, the confluence of terrorist organization and transnational criminal syndicate activities.<sup>181</sup> However, given the lack of a U.S. government-wide strategy to combat crime-terrorism links and the difficulty of quantifying resources devoted to combating crime, terrorism, or the combination of the two, it is at times difficult to assess the relative priority an agency may apply to counterterrorism and combating transnational crime.

## **U.S. Department of State**

Within the Department of State, the Bureau of International Narcotics and Law Enforcement Affairs (INL) and the Office of the Coordinator for Counterterrorism (S/CT) address the challenges of the confluence of crime and terrorism. While these two offices possess different core missions, they share many of the same end goals: bilateral, regional, and multilateral policy development; training foreign law enforcement officials; developing legal frameworks in partner nations; implementing capacity-building programs; and supporting programs to combat illicit financing, among others. Though INL and S/CT run separate initiatives, their programs, tools, equipment, and training help allied nations counter both terrorism and crime threats. Improving the performance of law enforcement agencies and giving them greater resources provides authorities with the capabilities and flexibility to address various aspects of the crime-terror confluence.<sup>182</sup> For example, in August 2009, Peruvian counternarcotics forces trained and equipped by INL apprehended Felix Victorino Mejia Ascencio, a leading operative in the Shining Path, a designated FTO.<sup>183</sup>

S/CT's principal venue for bolstering the counterterrorism capacity of partner nations is the Anti-Terrorism Assistance Program. The initiative trains foreign law enforcement authorities in protecting critical infrastructure, responding to terrorist attacks, and investigating and prosecuting

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<sup>181</sup> As the departmental activities noted in this section are not exhaustive, it is possible that individual agencies may have classified programs addressing certain aspects of partnering arrangements among terrorist groups and transnational organized crime groups.

<sup>182</sup> Based on CRS discussions with the U.S. Department of State, August 12, 2009.

<sup>183</sup> For more see U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, at <http://www.state.gov/p/inl/index.htm>.

those responsible for terrorist acts. S/CT funds and provides guidance on the program, and determines what countries receive the money, while the Bureau of Diplomatic Security manages the program. The Terrorist Interdiction Program helps countries prevent the movement of terrorists by providing allied nations with computer databases at points of entry. Additionally, S/CT operates a Counterterrorism Finance Unit that supplies technical assistance and training to foreign governments to help them investigate and interdict the movement of money by terrorists.

S/CT and INL jointly lead an interagency group on countering money laundering and terrorist financing, focusing on five areas: legal frameworks, financial regulatory systems, financial intelligence units, law enforcement, and judicial/prosecutorial development. As INL officials have noted, many of the same diplomatic and foreign assistance tools can be used for both anti-money laundering and counter-terrorist financing.<sup>184</sup> INL operates rule of law programs in more than 100 countries around the world that seek to enhance the criminal justice systems of partner nations. This assistance enables countries to better identify, track, apprehend, prosecute, and convict criminals, some of whom may have linkages to terrorist movements. INL runs anti-corruption initiatives, including through five International Law Enforcement Academies (ILEAs) worldwide, which train senior foreign law enforcement officials to strengthen the legitimacy of governments and cut down on the graft that fuels criminal enterprise. INL programs also operate in countries with both an active terrorist campaign and a widespread narcotics trade. For example, INL works with the Afghan government and international partners in that country to strengthen the Afghan criminal justice system and improve the abilities of law enforcement personnel.

## **Human Smuggling and Trafficking Center (HSTC)**

In response to the 9/11 Commission recommendations related to terrorist exploitation of criminal travel networks, the Intelligence Reform Act and Terrorist Prevention Act of 2004 (P.L. 107-458) established the Human Smuggling and Trafficking Center (HSTC). Physically located at the State Department, but jointly led by the State Department, Department of Justice (DOJ), and Department of Homeland Security (DHS), the HSTC is intended to foster improved integration and effectiveness among subject matter experts from the policy, law enforcement, intelligence, and diplomatic elements of the U.S. government to combat migrant smuggling, trafficking in persons, and clandestine terrorist travel. The current director of HSTC is on secondment from DHS' Immigrations and Customs Enforcement (ICE). Among other all-source information used, HSTC is capable of using Department of Defense (DOD) intelligence to link foreign terrorist networks to global human smuggling organizations. The HSTC serves as the focal point for U.S. and international police agencies to exchange information related to illicit travel. HSTC is the official U.S. point of contact for INTERPOL on trafficking matters. HSTC also maintains an information sharing agreement with the UK's Human Trafficking Center and Serious Organised Crime Agency, as well as ongoing working relationships with EUROPOL, Frontex, and the U.N. Office on Drugs and Crime Anti-Human Trafficking Unit.

## **U.S. Department of the Treasury**

Within the Department of the Treasury, the Office of Terrorism and Financial Intelligence (TFI) plays a role in combating the illicit use of the financial system by terrorists and criminals. Created

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<sup>184</sup> Deborah A. McCarthy, "Testimony of Ms. Deborah A. McCarthy, Deputy Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs," before the Senate Committee on the Judiciary, May 20, 2003.



in May 2004 in response to the perceived growing threat of terrorism after the attacks of September 11, 2001, TFI combined previously established Treasury elements, including the Office of Terrorist Financing and Financial Crimes (TFFC), the Financial Crimes Enforcement Network (FinCEN), and the Office of Foreign Assets Control (OFAC). Treasury's Office of Intelligence and Analysis (OIA) connects Treasury's efforts to combat money laundering and terrorist financing to the wider U.S. intelligence community.<sup>185</sup>

### **Office of Terrorist Financing and Financial Crimes (TFFC)**

TFFC focuses on policy and strategy development, interfacing between various elements of the U.S. government involved in combating terrorist financing and financial crimes, as well as with the private sector and foreign governments. TFFC leads the U.S. delegation in meetings of the Financial Action Task Force, an international body that develops global regulatory standards for combating money laundering and terrorist financing.<sup>186</sup> In coordination with DOD and elements of the intelligence community, TFFC works to integrate financial intelligence techniques for combating terrorist financing with counterinsurgency efforts in Iraq, Afghanistan, and theoretically worldwide, through a concept called "threat finance."

### **Financial Crimes Enforcement Network (FinCEN)**

FinCEN is the U.S. financial intelligence unit (FIU). As an FIU, FinCEN is responsible for receiving, analyzing, and disseminating disclosures from financial institutions concerning suspected proceeds of crime and potential financing of terrorism. Through an international network of FIUs called the Egmont Group, FinCEN shares financial intelligence data with FIUs globally as it relates to ongoing law enforcement efforts. In addition, FinCEN is the administrator of the Bank Secrecy Act (BSA) and regulates the financial industry for anti-money laundering and countering the financing of terrorism. Financial institutions covered by the BSA are required to establish anti-money laundering programs, customer identification programs, and processes and systems for data reporting and recordkeeping related to certain kinds of transactions. These requirements are designed to increase transparency within the financial system to prevent criminal access to financial services and products, whether to fund terrorist operations or to hide the proceeds of other crimes such as drug trafficking.

### **Office of Foreign Assets Control (OFAC)**

OFAC is responsible for administering and enforcing targeted financial sanctions against specific countries, regimes, terrorists, drug traffickers, and selected other threats to the national security, foreign policy, or economy of the United States. OFAC imposes controls on transactions and freezes assets of designated persons and entities. There is no current legislative authority or presidential order that specifically focuses on criminal-terrorism links and only specified criminal activities are covered by current OFAC sanctions programs. Existing OFAC terrorism sanctions cover Specially Designated Global Terrorists (SDGTs), FTOs, U.S. citizens seeking to engage in

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<sup>185</sup> U.S. Department of Treasury, Press Release, "Bush Administration Announces Creation of New Office in Ramped up Effort to Fight the Financial War on Terror," May 8, 2004. Notably, OIA was established by Congress less than five months prior to the May 2004 announcement in P.L. 108-77, the Intelligence Authorization Act for FY2004.

<sup>186</sup> For further information on the Financial Action Task Force, see CRS Report RS21904, *The Financial Action Task Force: An Overview*, by James K. Jackson.

financial transactions with state sponsors of terrorism, and Middle Eastern terrorist organizations found to undermine and threaten Middle East peace process efforts.<sup>187</sup> Existing OFAC criminal sanctions include drug trafficking kingpins and related entities; diamond smugglers and related entities; and individuals that materially assist, sponsor, or support certain political regimes, such as Liberia's Charles Taylor. OFAC designations, however, need not meet evidentiary standards for a criminal prosecution of the sanction's targets and can include classified material.

## **U.S. Department of Defense (DOD)**

DOD is authorized by Congress to maintain several counterterrorism and counternarcotics responsibilities.<sup>188</sup> While DOD's counterterrorism and counternarcotics responsibilities have historically been administered separately—and for the most part continue to remain so—several developments since September 11, 2001, indicate a shift within DOD toward increased program coordination and overlap. One such development is the recent reorganization of the Office of the Undersecretary of Defense for Policy, which now includes both the counternarcotics and counterterrorism offices under the singular leadership of the Office of the Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict (SO/LIC). The decision to place both counternarcotics and counterterrorism activities under SO/LIC was made in part to improve policy coordination across programs.

The geographic focus of many of DOD's counternarcotics missions are also at times places where counterterrorism activities are ongoing. U.S. counterdrug efforts in Colombia since 1999 became the first multi-year, interagency counternarcotics mission with the goal of degrading a designated FTO, in this case the FARC. DOD has featured prominently in the combined efforts to combat narcotics and the FARC in Colombia, providing military support, training, and equipment to the Colombian government. Beginning in FY2002, Congress has annually granted DOD authority to use counternarcotics funds for a unified campaign against drug traffickers and terrorist organizations specifically in Colombia. DOD-led joint task forces have been authorized since FY2004 to provide law enforcement agencies conducting counternarcotics efforts additional support for counter-terrorism activities.<sup>189</sup> Such authority has allowed DOD's Joint Interagency Task Force West in the Pacific Command's area of responsibility to track crime-terrorism links associated with groups such as D-Company and Abu Sayyaf.

In Afghanistan, DOD also plays a role in combating links between terrorism and drug trafficking. DOD co-leads, with the Treasury Department, the Afghan Threat Finance Cell, which seeks to

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<sup>187</sup> U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC), "Terrorism: What You Need to Know About U.S. Sanctions," at <http://www.treas.gov/offices/enforcement/ofac/programs/terror/terror.pdf>.

<sup>188</sup> DOD has multiple roles and responsibilities in the area of counternarcotics. It is the single lead federal agency for the detection and monitoring of aerial and maritime movement of illegal drugs toward the United States (Sec. 1202, P.L. 101-189; 10 U.S.C. 124) and plays a key role in collecting, analyzing, and sharing intelligence on illegal drugs with U.S. law enforcement and international security counterparts. In addition, Congress authorizes DOD to offer counterdrug assistance to train and equip foreign countries in their efforts to build institutional capacity and control ungoverned spaces used by drug traffickers (Sec. 1004, P.L. 101-510, as amended; Sec. 1033, P.L. 105-85, as amended). DOD-led joint task forces are also authorized to provide counterterrorism support to law enforcement personnel that are also conducting CN activities (Sec. 1022, P.L. 108-136, as amended). For further information on DOD counternarcotics issues see CRS Report RL34639, *The Department of Defense Role in Foreign Assistance: Background, Major Issues, and Options for Congress*, by Nina M. Serafino, Catherine Dale, Richard F. Grimmett, Rhoda Margesson, Kellie Moss, John Rollins, Tiaji Salaam-Blyther, Liana Sun Wyler, Curt Tarnoff, Amy F. Woolf.

<sup>189</sup> Sec. 1022, P.L. 108-136, as amended.

collect, analyze, and disseminate financial intelligence on the anti-government insurgency in Afghanistan. The U.S. military is also taking greater steps to target drug traffickers who collaborate with insurgents. According to an August 2009 Senate Foreign Relations Committee report, a new task force comprising the U.S. and British militaries, the DEA, and the U.K.'s Serious Organised Crime Agency (SOCA), will go after drug networks linked to the Taliban, destroy drug labs, and interdict shipments.<sup>190</sup> The U.S. military is also allegedly placing 50 major narcotics traffickers who aid insurgents on the "joint integrated prioritized target list." This would allow the military to capture or kill the traffickers on the battlefield.<sup>191</sup>

## **U.S. Department of Justice (DOJ)**

Among DOJ's primary missions is to combat international terrorism and other forms of transnational crime. DOJ's 2008 *Law Enforcement Strategy to Combat International Organized Crime*, for example, discusses as a priority issue the threat posed by crime-terrorism cooperation.<sup>192</sup> Several elements within DOJ have law enforcement responsibilities associated with combating potential links between crime and terrorism internationally, including, though not limited to, the Drug Enforcement Administration (DEA), the Federal Bureau of Investigation (FBI), as well as DOJ Criminal Division's Office of Overseas Prosecutorial Development Assistance and Training (OPDAT) and the International Criminal Investigative Training Assistance Program (ICITAP). DOJ's Criminal Division also coordinates the Extraterritorial Criminal Travel (ECT) Strike Force, which uses intelligence to target those who smuggle aliens from foreign countries of special interest. DOJ's National Institute of Justice (NIJ) also maintains programs to support research grants related to transnational crime and terrorism issues, as well as an evaluation unit to assess foreign country programs and efforts to establish effective criminal justice systems.

DOJ has made several efforts to identify links between criminal and terrorist activity, particularly links between the drug trade and terrorist groups. In 2008, for example, DEA estimated that up to 60% of terrorist organizations are connected with the drug trade and that at least 18 of the 43 State Department-designated Foreign Terrorist Organizations (FTOs) have links to the drug trade.<sup>193</sup> Another DOJ effort identified 110 major international drug and money laundering targets impacting the United States, called Consolidated Priority Organization Targets (CPOTs), and found that 26% of them are linked to FTOs.<sup>194</sup>

## **International Organized Crime Intelligence and Operations Center (IOC-2)**

In May 2009, DOJ established the International Organized Crime Intelligence and Operations Center, referred to by Attorney General Eric Holder as the IOC-2, with responsibilities to "marshal the resources and information" of law enforcement agencies as well as federal prosecutors, to "collectively combat the threats posed by international criminal organizations to

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<sup>190</sup> "Afghanistan's Narco War: Breaking the Link Between Drug Traffickers and Insurgents," p. 26.

<sup>191</sup> Ibid, p.27.

<sup>192</sup> U.S. Department of Justice (DOJ), *Overview of the Law Enforcement Strategy to Combat International Organized Crime*, April 2008.

<sup>193</sup> Braun, 2008.

<sup>194</sup> Office of National Drug Control Policy, *National Drug Control Strategy*, 2009.

domestic safety and security.”<sup>195</sup> IOC-2 became operational later in 2009. IOC-2 participants include the FBI; Immigration and Customs Enforcement (ICE); DEA; the Internal Revenue Service (IRS); the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF); the Secret Service; the U.S. Postal Inspection Service; the Department of State’s Bureau of Diplomatic Security; the Office of the Inspector General of the Department of Labor; and DOJ’s Criminal Division. While an interagency entity, IOC-2 reportedly falls within the responsibilities of the Attorney General’s Organized Crime Council, an interagency group that was reconstituted in 2008 after laying dormant since at least the early 1990s.<sup>196</sup>

## **U.S. Drug Enforcement Administration (DEA)**

DEA is the primary federal law enforcement agency tasked with combating drugs both domestically and internationally. While not tasked to pursue terrorists or terrorist organizations specifically, DEA has been involved in drugs cases that have some nexus to terrorist activities since at least the 1980s and continues to consider narcoterrorism a top priority. According to DEA, narcoterrorism cases include both drug trafficking organizations using terrorist tactics and terrorist organizations using the profits from drug trafficking to finance terrorist activities. Since 9/11, DEA has also instituted a requirement to question informants who provide drug-related intelligence on terrorism-related intelligence as well.<sup>197</sup>

To combat narcoterrorism, DEA harnesses several organizational and operational tools and programs, including legal authority for extraterritorial law enforcement jurisdiction in narcoterrorism cases and institutionalized narcoterrorism information sharing practices among U.S. agencies. Through the Section 122 of the USA PATRIOT Improvement and Reauthorization Act of 2005 (21 U.S.C. 960a), DEA gained jurisdiction to investigate cases internationally if there is an established link between a drug offense and an act of terrorism or terrorist organization.<sup>198</sup> This narcoterrorism law has been successfully applied in the conviction of Khan Mohammed, an Afghan heroin trafficker and member of the Taliban, in 2008.<sup>199</sup> DEA’s role in Afghanistan continues, with a more-than-doubling of DEA personnel located in-country by the end of 2009 and continued involvement in not only drug interdiction operations but also financial investigations to track how drug proceeds are used to finance the Taliban. In other regions of the world where criminals involved in drug trafficking overlap with those engaged in acts of terrorism, such as in South America, DEA is also pursuing cases against groups like the FARC and their criminal associates, including alleged arms traffickers Viktor Bout, Monzer Al-Kassar (convicted), and Jamal Yousef.

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<sup>195</sup> FBI, Attorney General Announces Center to Fight International Organized Crime, May 29, 2009, [http://www.fbi.gov/pressrel/pressrel09/atty\\_052909.htm](http://www.fbi.gov/pressrel/pressrel09/atty_052909.htm)

<sup>196</sup> “US Revamps its Fight Against Organised Crime,” *Jane’s Intelligence Weekly*, July 9, 2009.

<sup>197</sup> CRS discussions with DEA representatives, July 2009. See also U.S. Government Accountability Office (GAO), *Drug Control: Better Coordination with the Department of Homeland Security and an Updated Accountability Framework Can Further Enhance DEA’s Efforts to Meet Post-9/11 Responsibilities*, GAO-09-63, March 2009.

<sup>198</sup> 21 U.S.C. 960a; Title I, Sec. 122 of P.L. 109-177. Notably, by virtue of the statute’s extraterritorial reach, the Justice Department also secured the ability to prosecute the incidence of such offenses occurring outside the United States.

<sup>199</sup> U.S. Department of Justice (DOJ), “Member of Afghan Taliban Convicted in U.S. Court on Narco-Terrorism and Drug Charges,” press release, May 15, 2008.

## **U.S. Federal Bureau of Investigation (FBI)**

The FBI provides investigative and intelligence support to DOJ. Since 9/11, the FBI has focused on and devoted increased attention and resources to the confluence of terrorist organization and international organized crime activities. The organizations in the FBI responsible for coordinating with foreign law enforcement and security partners are the Office of International Operations and the Legal Attaché Offices located in U.S. Embassies. The objective of these offices is to strengthen international coordination efforts and expand foreign partnerships in the fight against global crime and terrorism. In acknowledging the emergence of risks to U.S. global security interests, the Chief Intelligence Officer of the FBI Donald Van Duyn stated that “increasingly, the FBI is called upon to address criminal and terrorist threats to U.S. interests in countries across the globe. Advances in technology, communications, and transportation have done more to blur international boundaries in the past decade than ever before. As a result, effectively combating transnational crime and terrorism now requires significantly greater cooperation among law enforcement, domestic security, and intelligence agencies on a global scale.”<sup>200</sup>

The FBI hosts the interagency National Joint Terrorism Task Force (NJTTF), which serves as coordinating mechanism for terrorism-related law enforcement operations, many of which also have a crime-related dimension. While all cases discussed at the NJTTF have a domestic link, most of them have an international component as well. The FBI is also a participant and contributes leadership and resources to other organizations focused on international organized crime activities and terrorist operations, including the recently established IOC-2.<sup>201</sup> The FBI also coordinates and provides personnel and resources to the International Criminal Police Organization’s (INTERPOL) Fusion Task Force, which has a mission of “enhancing the capacity of member countries to address the threats of terrorism and organized crime.”<sup>202</sup> In a recent meeting with justice ministers from other participating INTERPOL member states, Deputy Attorney General Ogden in commenting on the need for greater coordination with foreign counterparts noted that “we [the United States] face enormously powerful, well-resourced criminal organizations that are not entirely located or even principally located in the United States, that are able to take advantage of weaker government structures than our own... but the harm is felt here.”<sup>203</sup>

## **Office of Overseas Prosecutorial Development Assistance and Training (OPDAT) and the International Criminal Investigative Training Assistance Program (ICITAP)**

Located within DOJ’s criminal division, OPDAT and ICITAP are criminal justice sector development organizations that work with foreign governments to build capacity in the areas of

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<sup>200</sup> Donald Van Duyn, Chief Intelligence Officer, Federal Bureau of Investigation (FBI), “Lessons from the Mumbai Terrorist Attacks,” statement for the record, Senate Committee on Homeland Security and Governmental Affairs, January 2009.

<sup>201</sup> FBI, Attorney General Announces Center to Fight International Organized Crime, May 29, 2009, [http://www.fbi.gov/pressrel/pressrel09/atty\\_052909.htm](http://www.fbi.gov/pressrel/pressrel09/atty_052909.htm)

<sup>202</sup> INTERPOL, Fusion Center Task Force, Fusion Task - What and Why, <http://www.interpol.int/Public/FusionTaskForce/default.asp>. INTERPOL is the world’s largest international police organization with 188 member countries.

<sup>203</sup> Carrie Johnson, “U.S. Reaches Out on Crime—INTERPOL Countries Huddle on Fighting Far Reaching Outfits,” *Washington Post*, October 12, 2009.

police, prosecutors, courts, and corrections. Their international development assistance programs are in support of DOJ and U.S. national security and foreign policy objectives, chief among them combating international terrorism and transnational crime.<sup>204</sup> Their programs also support U.S. efforts to foster regional and international cooperation on terrorism and crime issues, including information sharing, strategy development and compatibility.

Established in 1986, ICITAP specializes in providing law enforcement development assistance, including police and corrections-related training and capacity building. In FY2008, for example, ICITAP provided more than 1,000 training events for approx 82,000 law enforcement professionals, as well as approximately 150 technical assistance and training partnership activities. In FY2009, ICITAP operated 39 country programs and maintained 17 field offices abroad. OPDAT was established in 1991, with a mission to provide justice sector assistance to prosecutors and judicial personnel abroad. Through such efforts, OPDAT supports legislative and justice sector reforms, as well as capacity building of foreign prosecutors, investigators and judges. Since its establishment, OPDAT also operates a program to send U.S. criminal justice experts abroad, called Resident Legal Advisors (RLAs) or Intermittent Legal Advisors (ILAs), to provide foreign nations with on-the-ground advice and technical assistance related to justice sector institutions and practices. In FY2009, OPDAT maintained 56 RLAs in 33 countries. It also provided 690 programs involving 94 countries, including 35 programs on counterterrorism and 294 programs on crime issues, including organized crime, drug trafficking, money laundering and asset forfeiture, and intellectual property rights (IPR) crimes.

## **U.S. Department of Homeland Security (DHS)**

It does not appear that DHS has an organization or program specifically focused on foreign borne risks to the homeland stemming from the confluence of terrorism and crime. However, some interagency-supported activities in which DHS participates could assist in the gathering and sharing of relevant security related information toward identification of possible crime based terrorist groups. One such program is the Suspicious Activity Report (SAR) Initiative, which seeks to establish a process to “gather, document, process, analyze and share terrorism related information,” and ongoing coordination efforts with the FBI and state and local law enforcement agencies to identify and address concerns stemming from prison radicalization.<sup>205</sup> Further, the Homeland Security Information Network (HSIN), a secure Internet based system designed to facilitate information sharing between DHS and multiple federal, state, local government and private sector organizations, “enables users to research and analyze information that may have a nexus to terrorism.”<sup>206</sup>

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<sup>204</sup> While DOJ is not authorized directly to provide foreign assistance, ICITAP and OPDAT are funded through the Department of State, U.S. Agency for International Development, Department of Defense, and the Millennium Challenge Corporation.

<sup>205</sup> For additional information about the Suspicious Activity Report initiative CRS Report R40901, *Terrorism Information Sharing and the Nationwide Suspicious Activity Report Initiative: Background and Issues for Congress*, by Mark A. Randol, November 5, 2009, and the Information Sharing Environment website, <http://www.ise.gov/pages/sar-initiative.html>; “Prison Radicalization: Are Terrorist Cells Forming in U.S. Cell Blocks?” Senate Committee on Homeland Security and Governmental Affairs, September 19, 2006.

<sup>206</sup> U.S. Department of Homeland Security (DHS), Privacy Impact Assessment for the Homeland Security Information Network database, April 5, 2006, [http://www.dhs.gov/xlibrary/assets/privacy/privacy\\_pia\\_hsind.pdf](http://www.dhs.gov/xlibrary/assets/privacy/privacy_pia_hsind.pdf)

Given the numerous domestic and foreign security related missions and broad areas of responsibility, DHS may become more involved with issues relating to the confluence of terrorism and crime.<sup>207</sup> Of DHS' five main areas of responsibility, it could be argued that risks associated with the possibility of terrorism-crime nexus related issues could have significant implications on current and prospective activities undertaken in the name of security.<sup>208</sup> A study conducted by the Homeland Security Institute in support of DHS' *2008 Strategic Plan* concluded that "non-state actors will likely play a larger role, to both positive and negative ends, in influencing the global framework."<sup>209</sup> In suggesting nine themes that will affect future homeland security decision-making, the assessment stated that "greater inter-connectivity and networks will provide opportunities for transnational criminals." In also acknowledging the prospect of a crime-terror nexus increasing risks to the homeland, General Renuart, Commander of the U.S. Northern Command and North American Aerospace Command stated that "drug cartels have developed a distribution system to rival the world's largest retailers," leading some to speculate that terrorist networks could call upon transnational organized crime organizations to facilitate the movement of personnel and harmful goods and material into the U.S. homeland.<sup>210</sup>

### **Immigrations and Customs Enforcement (ICE)**

Within DHS, ICE is tasked with a broad law enforcement mission that includes combating international terrorism and transnational crime. ICE's international presence includes 60 permanent offices in 43 foreign countries. While its investigative mission focuses mainly on the homeland and border environment, ICE reportedly conceptualizes the border environment broadly to include more than just the territorial boundaries of the United States. In line with the DHS concept of a layered defense and "pushing" the border out so that terrorists and criminals cannot reach U.S. ports of entry, ICE investigations often have an international component. ICE participates in several interagency law enforcement efforts that address, in part, links between international terrorism and certain crimes, including the Joint Terrorism Task Force, the Human Smuggling and Trafficking Center (HSTC), and the Extraterritorial Criminal Travel (ECT) Strike Force. ICE's Threat Analysis Section supports such efforts by mining databases to discover non-obvious relationships and links between suspected terrorists and individuals previously unknown to law enforcement.

Internationally, ICE plays a role in law enforcement investigations and the implementation of training and technical assistance projects related to illicit travel, financial, and weapons proliferation networks. Examples of ongoing activities include Counter Proliferation Investigations (CPI), which include efforts to combat international terrorist and criminal groups

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<sup>207</sup> Recognizing that DHS has primary responsibility for immigration violations, which also may entail the violators pursuing criminal activities in support of terrorism related pursuits, this report does not focus on the domestic activities or implications U.S. immigration concerns as it relates to the confluence of crime and terrorism. For a brief example of activities related to the confluence of crime in terrorism having domestic security implications, see a description of the activities of Mohammed Youssef Hammoud contained in Tom Diaz's book *Lightning Out of Lebanon: Hezbollah Terrorists on American Soil* (2005).

<sup>208</sup> DHS, "What We Do and How We're Doing It," at <http://www.dhs.gov/xabout/responsibilities.shtm>. The Five DHS priorities are Guarding against terrorism, securing borders, enforcing immigration laws, improving readiness, response, and recovery from disasters, and maturing and unifying DHS.

<sup>209</sup> DHS, "One Team, One Mission, Securing Our Homeland," at [http://www.dhs.gov/xlibrary/assets/DHS\\_StratPlan\\_FINAL\\_spread.pdf](http://www.dhs.gov/xlibrary/assets/DHS_StratPlan_FINAL_spread.pdf)

<sup>210</sup> Jim Garamone, "Disjointed Security Threats are New Normal, Commander Says," American Forces Press Service – Department of Defense News, June 16, 2009.

from illegally obtaining U.S. military products and sensitive technology, ranging from small arms to WMD components. With State Department funding, ICE implements a series of Trade Transparency Units (TTUs) in Colombia, Brazil, Argentina, Paraguay, and Mexico, which generate, initiate, and support investigations and prosecutions related to trade-based money laundering, the illegal movement of criminal proceeds across international borders, alternative remittance systems, and other financial crimes, including the financing of terrorism. In response to FATF Special Recommendation IX on Cash Couriers, issued in October 2004, ICE has implemented State Department-funded training on the interdiction and investigation of bulk cash smuggling (BCS) in more than 50 countries for more than 1,500 foreign officials.

## Intelligence Community

Given the secretive and covert nature of the objectives of terrorist or criminal participating entities, identifying the organizations involved, actual and potential partner arrangements, and possible critical nodes of detection and influence would likely fall to the U.S. intelligence community (IC).<sup>211</sup> It appears that the IC is aware of and focusing resources to detect and thwart terrorism-crime partnering activities. The August 2009 *National Intelligence Strategy* stated that a component of the first of six mission objectives, combat violent extremism, is to “penetrate and support the disruption of terrorist organizations and the nexus between terrorism and criminal activities.”<sup>212</sup>

In April 2009, the National Security Council tasked the Director of National Intelligence with authoring an NIE on Threats to U.S. National Security from International Organized Crime. While the primary focus of this NIE is to identify threats posed by international organized crime syndicates, the report includes a section on the relationship between crime and terrorism. According to national security and intelligence community leaders supporting the NIE analytic effort, issues that this section of the NIE will cover include an attempt to address questions related to possible crime-terrorism partnering arrangements, including possible implications of terrorist organization and criminal syndicate partnering arrangements; types of logistics and other support criminal syndicates provide to terrorist organizations; whether both criminals and terrorists are circumventing border security controls for purposes of material and personnel smuggling activities; what the likely trend over the next five years may be for crime-terrorism collaboration; and possible opportunities and countermeasures the U.S. government could exploit to counteract a crime-terrorism nexus.

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<sup>211</sup> The 16 members of the IC include the Central Intelligence Agency; Department of Defense’s Air Force Intelligence, Surveillance and Reconnaissance Agency, Army Military Intelligence, Defense Intelligence Agency, Marine Corps Intelligence Activity, National Geospatial-Intelligence Agency, National Reconnaissance Office, National Security Agency, and Office of Naval Intelligence; Department of Energy’s Office of Intelligence and Counterintelligence; Department of Homeland Security’s Office of Intelligence and Analysis and Coast Guard Intelligence; Department of Justice’s Federal Bureau of Investigation and Drug Enforcement Administration; Department of State’s Bureau of Intelligence and Research; and Department of Treasury’s Office of Terrorism and Financial Intelligence. For additional information on intelligence issues, see CRS Report RL33539, *Intelligence Issues for Congress*, by Richard A. Best, Jr.

<sup>212</sup> Office of the Director of National Intelligence, *The National Intelligence Strategy of the United States of America*, Aug. 2009, p. 6.



## Policy Considerations

Policy issues related to the interaction of international crime and terrorism are inherently complex. The crime-terrorism nexus encompasses a range of illicit activities, actors, and venues that span multiple countries and jurisdictions and link together with seeming disregard to political boundaries. In confronting such a globalized threat, policymakers are challenged to sort through an array of programs, policies, and bureaucracies that span law enforcement, intelligence, diplomacy, international trade, foreign aid, and private sector banking regulation. Given the range of actors involved, there remains significant opportunity for crossed wires, interagency hamstringing, and conflicts in strategy and priority. The following section highlights potential policy issues that may be at play in crime-terrorism nexus situations, including the possibility of:

- bureaucratic incentives to downplay or exaggerate criminal-terrorist connections;
- prioritizing terrorism as a security threat over crime-related considerations, or vice versa;
- imbalances between civilian and military coordination in situations where a crime-terrorism link may be present;
- gaps and overlaps in foreign aid accounts separately addressing anti-crime and counter-terrorism security and justice sector assistance;
- imbalances between the use of intelligence-led approaches to target criminal-terrorist nexus actors and the use of criminal justice-led approaches;
- difficulties in predicting the current and future scale, extent, and threat of criminal-terrorist links in the absence of intelligence and open source analysis;
- incorporating policies and procedures to reduce the interaction of crime and terrorism in related subsets of U.S. foreign policy, including counterproliferation, post-conflict reconstruction, cyber security, and counterinsurgency;
- opportunities and limitations in the use of financial intelligence to combat criminal-terrorist links;
- expanding DOD's counternarcotics foreign assistance authorities to include combating other forms of transnational crime and terrorism;
- expanding the Treasury Department's financial sanctions authorities against organized crime to parallel those against terrorists; and
- expanding the use of DEA's extraterritorial authority to combat narcoterrorism.

## Counterterrorism: What Role for Anti-Crime?

While the U.S. government has maintained substantial long-standing efforts to combat terrorism and transnational crime separately, questions remain about how and whether issues related to the interaction of the two threats are handled most effectively across the multiple U.S. agencies involved. It is possible, for example, that some law enforcement agencies may face a disincentive to reveal links between crime and terrorism, out of concern that cases they currently control may be transferred to another agency with jurisdiction over the case once such links are found. Further, questions remain on how links between terrorist-criminal activity and potentially related U.S. policies—including but not limited to WMD proliferation, cyber security, post-conflict

reconstruction efforts, and counterinsurgency—are integrated across agencies. Such questions, however, are difficult to assess without discussion of U.S. programs and efforts that may already be underway, but not discussed publicly.

Efforts to combat transnational crime can interact in positive and negative ways with counterterrorism policy, raising fundamental questions about how to prioritize combating crime or terrorism aspects of a case when both elements are present. In the case of U.S. efforts in Afghanistan, the interplay of and conflicts between counternarcotics policies with those of counterterrorism are particularly apparent. For example, a decision to target and arrest a drug trafficker might be influenced by the information such an individual could provide if the trafficker continued to operate freely and serve as an informant against a targeted insurgent group. Yet allowing a drug trafficker to continue his drug operations may result in millions of dollars worth of illicit profits that ultimately help fund the Taliban.

The Afghanistan scenario also highlights the possibility that, at least in some instances, there may be compelling reasons to prioritize efforts in one threat area over others. In such instances, policymakers are confronted with the problem of determining how to balance allocations of personnel, funding, equipment, and programs between counterterrorism and anti-crime activities. To this end, observers have argued that, particularly since September 11, 2001, international terrorism issues have increased in priority for U.S. policy and in resources devoted to countering terrorist threats—at times to the detriment of other national security and law enforcement issues. While many would argue that such a shift toward counterterrorism is warranted, policymakers may be challenged to ensure that other major threats, including transnational organized crime, are appropriately countered.<sup>213</sup>

## **Implications for Civilian and Military U.S. Foreign Aid**

Despite the presence of tensions between some anti-crime and counterterrorism policy goals, U.S. foreign assistance may be one policy area where efforts to combat either terrorism or crime can have mutually beneficial implications for combating the other. Currently, there are two primary accounts through which the State Department provides assistance to foreign nations to combat crime and terrorism: the Anti-Terrorism Assistance (ATA) account and the International Narcotics Control and Law Enforcement Assistance (INCLE) account. Department of Defense also maintains separate foreign aid accounts to train and equip foreign nations for counternarcotics. In many respects, both counterterrorism foreign aid and anti-crime aid share the ultimate policy goal of improving partner nation capacity through efforts to support the rule of law, effective governance, economic development, and improved and sustainable ability to combat security threats—including drug traffickers and other criminal entities, as well as terrorists. The seeming fungibility of basic foreign assistance in support of counterterrorism and anti-crime policy goals also implies that in instances where there is evidence of a crime-terror nexus threat, separate additional aid programs or authorities to help foreign countries combat the criminal and terrorist threats may not be necessary.<sup>214</sup> The ability to interchange the use of at least some

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<sup>213</sup> For a discussion of how law enforcement resources shifted to counterterrorism after 9/11, see testimony by Robert S. Mueller, FBI Director, before the Senate Judiciary Committee, June 6, 2002.

<sup>214</sup> Such sentiments were particularly voiced by State Department officials in discussions with CRS, August 12, 2009. The State Department also noted that while additional programs and authorities might not be necessary, such a claim would not contradict an continued interest in augmenting overall resources for assistance programs that build law enforcement capacities abroad.

counterterrorism foreign aid with that of anti-crime aid can also serve as a boon among countries that may prefer not to accept U.S. counterterrorism aid for political reasons, but are amenable to receiving anti-crime aid.<sup>215</sup>

Some, however, criticize suggestions to blur the lines between counterterrorism and anti-crime assistance, arguing that it reduces foreign aid transparency and could jeopardize ongoing anti-crime programs in countries that are politically sensitive to the idea of the U.S. government providing counterterrorism support. DOD's suggested role in providing an expanded range of aid to include not only counternarcotics but other forms of anti-crime assistance has raised concerns about whether it is within DOD's expertise and mission to perform what has traditionally been recognized as a criminal justice and law enforcement responsibility. Additional questions for policymakers include how to improve coordination between counterterrorism and anti-crime foreign aid planning and avoid redundancy in program objectives; how to harness both counterterrorism and anti-crime foreign aid efforts to improve partner nation investigative and prosecutorial efforts to combat the overlap; and how to encourage other donor nations, as well as multilateral groups with relevant experience, to support assistance efforts related to the overlap of crime and terrorism.

## **Gaps in Intelligence and Research**

It appears that there is limited, if any, systematic gathering of intelligence related to the nexus between crime and terrorism. Some suggest that credible human and signals intelligence sources are essential to countering the threat from the confluence of terrorist and criminal organizations. Such observers also argue that more research on the subject from academic and non-profit communities could also improve the availability of knowledge on the subject. Without such resources, the intelligence community and the wider policy community cannot accurately gauge the scope and nature of relationships between terrorists and criminal actors, as well as to assess convergence trends and predict future connections. In turn, lack of assessment on how, why, and in what ways criminals and terrorists liaise with each other can prevent policymakers from devising appropriate strategies to combat the nexus.

It is possible, for example, that different types of criminal activity may lend themselves to particular crime-terrorism relationships. In the case of travel facilitation and smuggling crimes, there appears to be significant potential for criminal-terrorist partnership or cooperation arrangements, due to the sheer number of criminal specialists that are necessary to complete a human smuggling effort. Such criminal specialists including passport and visa fraud specialists, individuals that escort the smuggled while in transit, gatekeepers at ports of entry to monitor gaps in government security, and actors that control and procure safe houses, among others. In contrast, the case of WMD trafficking provides an example of a type of criminal activity in which there is limited evidence of consistent criminal group cooperation with terrorist groups.<sup>216</sup> The

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<sup>215</sup> Matthew Levitt and Michael Jacobson, "Drug Wars," *The New Republic*, January 27, 2009.

<sup>216</sup> Some argue that the geographic proximity of both criminals and terrorists in Eurasia, including the Caucasus and Central Asia, allows for a natural connection between criminals procuring the WMD materials and transporting it, via traditional drug and arms trafficking routes in the region, to potential terrorist purchasers. Additionally, revelations about the nuclear technology smuggling activities of the A.Q. Khan network show that a number of actors in many countries may be involved in any one transfer. Others, however, argue that evidence of trafficking in chemical, biological, radiological, and nuclear (CBRN) materials and technology has not seen a major uptick since September 11, 2001. Shelley, August-November 2006, p. 544; Ouaghran-Gormley.

apparent lack of sophisticated organized crime involvement in WMD trafficking cases may indicate that the more established organized crime groups, while potentially capable of involvement in WMD trafficking, have remained aloof to this potential line of collaboration. Reasons for their distance may include perceptions that this activity is too risky and not sufficiently profitable. Observers further suggest, however, that newer criminal organizations and smaller groups on the make may attempt to participate in WMD trafficking.<sup>217</sup>

Questions for policymakers include whether the extent of the crime-terrorism nexus threat is worth the time and resources that would be needed to improve human intelligence collection on this issue, and if there are ways to enhance information sharing among crime-focused analysts and terrorism-focused analysts so that crime-terror trends among existing intelligence assets can be identified more easily. Additional avenues for further intelligence and policymaker inquiry could include studies on common choke-points, or vulnerabilities, in crime-terror partnering arrangements and how authorities can exploit such opportunities.

## **Financial Intelligence and Targeted Sanctions: Following the Crime-Terrorism Money Trail**

Many observers argue that one of the most effective ways to combat the confluence of crime and terrorism could be following their money trails, linking numbered accounts, specific money changers, and particular individuals across the varied criminal and terrorist networks.<sup>218</sup> Already long incorporated into investigation procedures involving crime and drug trafficking violations, anti-money laundering financial tracking methods are becoming increasingly recognized as a valuable asset for counterterrorism. As a result, some advocate that strategies to combat the threat of crime and terrorism should also incorporate counter-financing efforts.<sup>219</sup>

In many ways, U.S. government efforts to use financial intelligence to combat the criminal-terrorist nexus are among the most institutionalized. Within the Department of State, the Bureau of International Narcotics and Law Enforcement Affairs (INL) and the Office of the Coordinator for Counterterrorism (S/CT) lead an interagency group on countering money laundering and terrorist financing, focusing on legal frameworks, financial regulatory systems, financial intelligence units, law enforcement, and judicial and prosecutorial development. In April and October 2009, DOD convened a Threat Finance Conference that brought together more than 100 analysts and agents from myriad departments and partner nations. Another example of interagency coordination has been the Iraq Threat Finance Cell, co-led by DOD and the Treasury Department, which was established in 2005 to collect and analyze information on the funding of the Iraqi insurgency. A similar group was established for Afghanistan at the end of 2008.

Critics of the use of financial intelligence tools argue that tracking illicit financial transactions are laborious and may yield less success than other tools.<sup>220</sup> Many of the same mechanisms for

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<sup>217</sup> CRS discussions with a representative of the National Intelligence Council, July 8, 2009.

<sup>218</sup> Michael Jacobson and Matthew Levitt, "Combating the Financing of Transnational Threats," The Emirates Center for Strategic Studies and Research, 2009.

<sup>219</sup> See for example Michael Jacobson and Matthew Levitt, "Follow the Money," *Los Angeles Times*, December 23, 2008.

<sup>220</sup> See for example R. T. Naylor, "Wash-Out: A Critique of Follow-the-Money Methods in Crime Control Policy," *Crime, Law, and Social Change*, Vol. 32, 1999, pp. 1-57.

laundering money and financing terrorism decades or even centuries ago (e.g., bulk cash smuggling, trade-based money laundering, and hawala-type informal value transfer systems) continue to remain popular today among criminals and terrorists.<sup>221</sup> To critics, this is an indication that criminals and terrorists remain successful at moving and hiding their financial tracks from authorities. Emerging challenges include the growing volume of financial transactions globally, especially the volume of international electronic and cyber transfers.

Some have suggested that the Department of Treasury's authorities could be expanded—whether by Executive Order or legislation similar to the Kingpin Act—to utilize its targeted financial sanctions program to freeze assets of not only designated terrorist groups and individuals, which has been in effect in various forms since at least 1995, but also the equivalent for high-level leaders of transnational organized crime syndicates and related entities. Currently, Treasury maintains sanctions programs for illicit narcotics, diamonds, and WMD proliferators. While some officials within the Administration have endorsed such a suggestion, others are skeptical. Supporters argue that more tools are needed to freeze the assets and deny criminal access to U.S. markets and financial entities. Critics raise the concern that such a program could have limited effectiveness, particularly in the short term, given time and resource constraints associated initiating a new sanctions program; this may also present potential unintended but nevertheless negative consequences on U.S. legitimate business and commerce.

## **Threat of Digital and Physical Safe Havens and Ungoverned Spaces**

Experts suggest that relationships between criminal and terrorist organizations are most likely to blossom in safe haven environments where these entities can operate with near impunity. An ongoing challenge for U.S. policymakers is how to address foreign governments or jurisdictions that are conducive to the proliferation of criminal-terrorist activity. Terrorists operating in these environments—free from government interference—have a clear incentive and opportunity either to become more directly involved in criminal enterprises or to forge or deepen alliances with criminals living in the same space. Conflict and post-conflict zones often contain sanctuaries that can enable terrorists and criminals to work in concert. Willfully criminal states, or kleptocracies, may directly or indirectly condone or even promote widespread criminal enterprises in their territory. Such an environment fosters connections between terrorists and criminals, enhancing the capabilities of each. Finally, not all safe havens are physical; some are digital. As the U.S. government develops new cyber security strategies and programs, policymakers may be challenged to consider how emerging cyber policies can also deter or combat criminal-terrorist linkages.

## **Law Enforcement-led Counterterrorism: Pros and Cons**

Some observers see the nexus between crime and terrorism as a potential boon for detection and law enforcement prosecution. Even if prosecutors do not have sufficient evidence to convict a suspected terrorist of terrorism-related charges, other criminal charges may stick. Furthermore, some criminal charges, such as violations related to drug trafficking, can have jail sentences and penalties similar in magnitude to terrorism ones. Observers describe such law enforcement

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<sup>221</sup> See for example U.S. Department of State, *2008 International Narcotics Control Strategy Report*, Vol. 2.

approaches to counterterrorism as pretextual prosecutions or an Al Capone-style strategy because it evokes similarities to the approach used to combat U.S. mob activities in the mid-twentieth century.<sup>222</sup> While the U.S. government was unable to charge Al Capone with murder and other organized crime-related charges, authorities were able to convict him of tax evasion. Such a policy focus was at least initially a priority for the U.S. government in the immediate aftermath of September 11, 2001. In a speech on October 25, 2001, for example, then U.S. Attorney General John Ashcroft stated:<sup>223</sup>

Robert Kennedy's Justice Department, it is said, would arrest mobsters for "spitting on the sidewalk" if it would help in the battle against organized crime. It has been and will be the policy of this Department of Justice to use the same aggressive arrest and detention tactics in the war on terror. Let the terrorists among us be warned: If you overstay your visa—even by one day—we will arrest you. If you violate a local law, you will be put in jail and kept in custody as long as possible. We will use every available statute. We will seek every prosecutorial advantage. We will use all our weapons within the law and under the Constitution to protect life and enhance security for America.

It remains unclear, however, since 2001, how effective such law enforcement practices have been to combat terrorism or how frequently such strategies have been implemented in practice—both in the United States and among partner nations. In practice, it is difficult to track the number of terrorism-related convictions unless the convictions are directly for terrorism, and interpretations about which cases are terrorism-related or not remain subjective. A 2003 report by the GAO, for example, concluded that DOJ misclassified about 46% of cases as resulting in terrorism-related charges in FY2002.<sup>224</sup> Without appropriate mechanisms to ensure accuracy and reliability of terrorism-related conviction data, the 2003 GAO report concludes, "DOJ's and the Congress's ability to accurately assess terrorism-related performance outcomes of the U.S. criminal justice system will be limited." Critics also suggest that pretextual prosecutions pose ethical and social dilemmas, arguing that not charging criminals with their primary alleged crime reduces law enforcement transparency and political accountability and credibility of justice sector activity.<sup>225</sup> Policymakers may desire to further evaluate the potential benefits and consequences of pretextual prosecutions, including its ethical and political implications both within the U.S. justice sector and foreign partner nations.

One relatively new policy option for prosecuting criminal-terrorist links is the use of Sec. 122 of the USA PATRIOT Improvement and Reauthorization Act of 2005 (P.L. 109-177; 21 USC 960a). This provision criminalizes narcoterrorism and makes international drug trafficking with the intent to fund terrorist activities, including trafficking of drugs destined to countries besides the United States, prosecutable in U.S. courts. Further, conviction of charges under this narcoterrorism statute can result in double the punishment prescribed for the underlying drug offense. The prospect of a lengthy sentence, if convicted under this statute, may also arguably incentivize defendants to cooperate with investigators and provide authorities with additional intelligence they may not have otherwise volunteered.

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<sup>222</sup> Gartenstein-Ross and Dabruzzi.

<sup>223</sup> John Ashcroft, Prepared Remarks for the U.S. Mayor's Conference, October 25, 2001.

<sup>224</sup> GAO, "Better Oversight Management and Internal Controls Needed to Ensure Accuracy of Terrorism-Related Conviction Statistics," GAO-03-266, January 2003.

<sup>225</sup> Daniel C. Richman and William J. Stuntz, Al Capone's Revenge: An Essay on the Political Economy of Pretextual Prosecution, *Columbia Law Review*, March 2005; Alexander Gourevitch, Body Count: How John Ashcroft's Inflated Terrorism Statistics Undermine the War on Terrorism, *Washington Monthly*, June 2003.

Since the enactment of P.L. 109-177, DEA has charged seven individuals under this new authority; two have been convicted and the rest await trial or extradition. The first conviction occurred in May 2008 against Khan Mohammed, who was sentenced to two life sentences for his narcoterrorism activities based in Afghanistan. In February 2009, Monzer Al Kassar was sentenced to 30 years and was ordered to forfeit all his foreign and domestic assets for conspiring to supply weapons to the FARC. Victor Bout, indicted in May 2008 for conspiring to supply weapons to the FARC, remains in custody in Thailand, as authorities await an appeals decision to either uphold or overturn an earlier decision to deny the U.S. government's request for extradition. In December 2009, three West Africans with links to Al Qaeda in the Islamic Maghreb (AQIM), Oumar Issa, Harouna Toure, and Idriss Abelrahman, were extradited to the United States to face charges of conspiring to smuggle cocaine for the FARC.

It might be too soon to determine whether this narcoterrorism statute will result in a greater number of convictions, heavier punishments, or serve as an effective deterrent against criminal-terrorist interactions. Some point to Bout's extradition issues as a sign of mixed success for investigations conducted under this authority. If this narcoterrorism program were to be expanded, questions may also arise regarding how to properly detain and incarcerate criminal-terrorists and avoid the risk of allowing such individuals to radicalize and recruit other criminals sharing the same prison facilities for terrorism purposes. Policymakers may be interested in exploring whether the conviction rates and punishment severity are worth the costs associated with the time and resources needed to conduct complex investigations across multiple jurisdictions that may take several months if not years to complete.

## Congressional Activity

Earlier this decade, especially in the immediate wake of the September 11, 2001, terrorist attacks, Congress maintained active interest in the intersection of terrorism and crime. Between December 2000 and July 2005, Congress held a total of eight hearings on some aspect of the criminal-terrorist nexus. Five of these centered on the threat posed by the convergence of organized crime, the international drug trade, and terrorism.<sup>226</sup> During each of these hearings, various Members of Congress, both Republican and Democrats, expressed concern that a burgeoning connection existed between terrorists and criminal activity, and questioned representatives from the Department of State, DEA, FBI, and DHS on efforts to counter this confluence. Common themes across these hearings included potential links between the drug trade and terrorism, particularly in Afghanistan and Colombia; links between terrorism, particularly Hezbollah, and the use of counterfeit goods and intellectual property crimes to finance their organizations;<sup>227</sup> and criminal-

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<sup>226</sup> "Threat Posed by the Convergence of Organized Crime, Drug Trafficking, and Terrorism," hearing before the Subcommittee on Crime, Committee on the Judiciary, House of Representatives, 106<sup>th</sup> Congress, December 13, 2000; "Drug Trade and the Terror Network," hearing before the Subcommittee on Criminal Justice, Drug Policy and Human Resources, Committee on Government Reform, House of Representatives, 107<sup>th</sup> Congress, October 3, 2001; "Narco-Terror: The Worldwide Connection Between Drugs and Terrorism," hearing before the Subcommittee on Technology, Terrorism, and Government Information, Committee on the Judiciary, U.S. Senate, 107<sup>th</sup> Congress, March 13, 2002; "Narco-Terrorism: International Drug Trafficking and Terrorism – A Dangerous Mix," hearing before the Committee on the Judiciary, U.S. Senate, 108<sup>th</sup> Congress, May 20, 2003; and "International Global Terrorism: Its Links with Illicit Drugs as Illustrated by the IRA and Other Groups in Colombia," hearing before the Committee on International Relations, House of Representatives, 107<sup>th</sup> Congress, April 24, 2002.

<sup>227</sup> "Intellectual Property Crimes: Are Proceeds From Counterfeited Goods Funding Terrorism?," hearing before the Committee on International Relations, House of Representatives, 108<sup>th</sup> Congress, July 16, 2003; and "Counterfeit Goods: Easy Cash for Criminals and Terrorists," hearing before the Committee on Homeland Security and (continued...)

terrorist links in the financing of the insurgency in Iraq, particularly the use of kidnapping, extortion, and theft to secure funds to facilitate for terrorist activity.<sup>228</sup>

Since 2005, congressional activity related to a crime-terrorism nexus appears to have abated. In contrast to the eight hearings held from December 2000 to July 2005, none have taken place on the convergence of organized crime and terrorism in the subsequent four-plus years. It remains unclear what explains the absence of hearings specifically on potential relationships between crime and terrorism since 2005. Congress has held hearings on numerous, but separate aspects of terrorism and international crime issues and U.S. government efforts to combat these challenges since 2005. Some might argue that in the absence of sufficient information from the intelligence and open source communities on the short-term and long-term trends of criminal-terrorism links, as well as the extent of the threat that such relationships pose to U.S. interests, it may be difficult or undesirable for policymakers to consider and develop new policies and programs to address the issue.

Since the September 11 attacks, Congress has enacted several landmark bills that have given the U.S. government greater authority and additional tools to counter the convergence of organized crime and terrorism. Less than six weeks after the attack, Congress enacted the USA PATRIOT Act (P.L. 107-56) to strengthen the government's ability to detect, report, and prevent terrorist financing and money laundering. Specifically, the PATRIOT Act stiffened money laundering penalties, granted the Secretary of the Treasury new powers, established mechanisms to report money laundering transactions through private banks, permitted the transfer of financial records among agencies if relevant to intelligence activities, created Federal jurisdiction over foreign money launderers, and made licensed money senders, including informal hawala networks, subject to mandatory reports on transactions. In March 2006, Congress passed the USA PATRIOT Improvement and Reauthorization Act of 2005 (P.L. 109-177). This Act increased penalties for terrorism financing, expanded the purview of the Racketeer Influenced and Corrupt Organizations (RICO) Act (P.L. 91-452), broadened the parameters of money laundering offenses, and made the receipt of military training from a foreign terrorist organization a predicate to a money laundering offense.

The Intelligence Reform and Terrorism Prevention Act of 2004 (P.L. 108-458), passed in December 2004, also enhanced U.S. government efforts to crack down on terrorist financing and money laundering. The Act expanded the authority and tools of the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), directed the Secretary of the Treasury to prescribe regulations requiring financial institutions to report certain cross-border money transfers, and directed the president to submit to Congress a report evaluating U.S. efforts to curtail international financing of terrorism.

In recent years, several members of Congress have drafted bills that address anti-money laundering and counterterrorism financing measures and amend aspects of the PATRIOT Act. For example, in the 109<sup>th</sup> and 110<sup>th</sup> Congresses, Senator Chuck Grassley introduced legislation that would have extended the United States' jurisdiction in money laundering cases and expanded

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(...continued)

Governmental Affairs, U.S. Senate, 109<sup>th</sup> Congress, May 25, 2005.

<sup>228</sup> "Financing of the Iraq Insurgency," joint hearing before the Terrorism, Unconventional Threats and Capabilities Subcommittee of the Committee on Armed Services, House of Representatives and the Oversight and Investigations Subcommittee of the Committee on Financial Services, House of Representatives, 109<sup>th</sup> Congress, July 28, 2005.



authority to issue subpoenas and prosecute such cases. In another example, Representative Gwen Moore introduced a bill in the 109<sup>th</sup> and 110<sup>th</sup> Congresses that sought to direct the Secretary of State and Secretary of the Treasury to specify each department's role in providing counterterrorism financing training and assistance. Several bills related to this subject are pending before the 111<sup>th</sup> Congress. One is the Stop White Collar Assistance to Terrorist Act (H.R. 3375), introduced by Representative Frank Kratovil, which seeks to increase prison terms for fraud, money laundering, and bribery offenses committed to facilitate terrorist acts. Another is the Post-9/11 Terrorist Financing Review Act (H.R. 3387), introduced by Representative Michael Castle, which reiterates that the Secretary of the Treasury is required to submit a report on terrorism financing in accordance with the Intelligence Reform and Terrorism Prevention Act of 2004 (P.L. 108-458). In addition, several bills seek to amend aspects of the PATRIOT Act.<sup>229</sup>

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<sup>229</sup> See for example the Safe and Secure America Act of 2009 (H.R. 1467); USA PATRIOT Amendments Act of 2009 (H.R. 3845); USA PATRIOT Act Sunset Extension Act of 2009 (S. 1692); USA PATRIOT Reauthorization and Additional Weapons Against Terrorism Act of 2009 (S. 1726); and USA PATRIOT Reauthorization Act of 2009 (S. 2336). These bills are principally focused on domestic issues.